The China Weekly

REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

July 15, 1939

Shanghai's Festering Sore

SPECIAL CORRESPONDENCE

U.S. Neutrality Legislation

AN EDITORIAL

Anti-British Campaign Grows

Chinese in South Pacific

BY MARC T. GREENE

Mongol-Manchu Border War

China's War-Time Finances

BY DR. H. H. KUNG

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Volume 89 Number 7

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What People Are Saying

Comments from Readers on Current Topics are cordially invited; their opinions, however, do not necessarily represent the views of the *China Weekly Review*.

A LOYAL BOOSTER

To the Editor:

I want to tell you how much I think of **The China Weekly Review** and the far-reaching insight that it gives to one about the true condition of affairs in China. I have found **The Review** very interesting and informative. I was recently particularly interested in the series of letters telling about the sensational Shantung kidnapping. You may rest assured that in me you have a loyal booster for your publication. I am constantly telling others about it.

R. L. G.

Everett, Washington,
June 12, 1939

"GRAND WORK"

To the Editor:

You are doing a grand work with **The China Weekly Review**. I don't know what we would do in this country without **The Review** to fall back on. I have used the back issues freely in working out reports.

It is amazing the way sentiment is crystalizing here in favor of an embargo. The **Los Angeles Times** carries a report by Doctor George Gallup (Institute of Public Opinion) which shows that today 66% of the people of this country favor an embargo and a boycott of Japanese goods. A year ago the percentage was only 37% in favor of such a movement.

C. E.

San Diego, Cal.,
June 16, 1939

WAKING UP

To the Editor:

All along the way it has been evident that they are beginning to wake up to the real seriousness of the situation down here in the Indies. All railway stations are plastered with air-raid warning posters and military preparedness is going full blast, a huge appropriation having just been voted for still more equipment.

W. E. F.

Soerabaya, N. E. I.,
June 23, 1939

LONG, INDECISIVE WAR

To the Editor:

The general impression seems to be that the war in China will be a long and indecisive one and that the Japanese will not ultimately prevail. Now that it seems that Britain and Russia may come to an agreement for mutual defense, I think that Japan will hesitate to get into any trouble with Russia or with Great Britain. From the best information I am able to get, the situation appears to be quieter in Europe and Hitler does not seem to be so bellicose. In other words, there does not seem to be any immediate prospect of a European war and this means that Japan will not be able to take advantage of that row.

S. H.

Chicago, June 8, 1939

COST OF LIVING

To the Editor:

Figures published recently by the Industrial Section of the Shanghai Municipal Council show that the workers' cost of living in Shanghai has risen 76 per cent since 1936. There is no evidence to show that there has been any increase in wages to meet this situation; in fact, in some cases, wages are lower than they were before the hostilities commenced.

As a regular reader of **The Review**, I have naturally noticed reports of annual company meetings showing that industrial and commercial concerns in this city, both Chinese and foreign, made profits last year that were higher than they had ever been. This war profiteering is at the expense of the sorely-harassed population, and especially the poorer classes, who must in effect strive to live on 24 cents where previously they had a dollar to dispose of. I have yet to see a proposal from the moguls of local industry to increase wages and salaries.

Foreigners living on modest salaries and accustomed to using imported articles, are doubly hit by the rising prices and the slump of the dollar.

War profiteering goes on and the profiteers act with impunity because there is no one to put a curb on their conscienceless practises. When the cost of living soars and the dollar slumps, the pivot boys of the S.M.C. recoup themselves by means of their pernicious exchange compensation arrangement. The rest of the population, unorganized and therefore helpless, must just pull in their belts another notch.

Is it not possible to form some sort of public organization to combat war profiteering and to secure for workers, both Chinese and foreign, some increase in their wages to relieve the terrible pressure they are now feeling?

ACTION NEEDED.

Shanghai, July 12, 1939.

THE CHINA WEEKLY REVIEW

Formerly Millard's Review

Cable Address "REVIEWING SHANGHAI"

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The China Weekly
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Formerly Millard's Review

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Effect of the Sino-Japanese Crisis Upon the Future of America

BY JULEAN ARNOLD

The summary below pertaining to conditions in China which concern America and American interests in China was compiled by Julean Arnold, U. S. Commercial Attache in China, while on an extended leave of absence in the United States. The opinions and sentiments expressed are personal and were not intended to imply a reflection of the ideas or opinions of any department or representatives of the U. S. Government. Mr. Arnold is returning to China by way of Europe and India and the Burma-Yunnan Road and will visit Chungking prior to coming to Shanghai. The article is reproduced from the June issue of *Amerasia*, N. Y.

AMERICANS are mainly interested in the present struggle in Asia because of its possible effects upon them. Japan's invasion of China is the most appalling tragedy in all of human history, because it was launched at a time when that most populous of nations was at the very threshold of a huge constructive modernization program. When one of our outstanding American journalists tells his radio audience, as one recently did, that China has made no progress during the past twenty years, it is time that some one who knows better stepped forth and gave the facts. After serving my country for thirty-seven years in China and Japan, I have had an opportunity to see, hear, and learn much. I shall now attempt to present frankly my views upon the situation as I believe it affects our people and our country. I am presumptuous enough to hold the opinion that in any presentation of statistics regarding trade and economic conditions in China and Japan, one would be stupid indeed were he not to use great care to interpret them intelligently, for otherwise they might be very misleading.

CONDITIONS IN CHINA BEFORE THE JAPANESE INVASION

"The National Government in China is now completely secure with capable hands in control of the nation's finance and economy . . . China's financial structure has become firmly laid as has been proved by the considerable improvement in her international payments."

Certainly very few people would have expected sentiments of this sort from a Japanese. They are, nevertheless, taken from a report of Mr. Seiji Yoshida, Chairman of the Japanese Chamber of Commerce and Industry in Shanghai and manager of the Mitsubishi Bank in Shanghai. The report as broadcast through the press of the Far East emanated from Tokyo under date of March 1, 1937, This news item further states :

"Pointing out the strengthening of the Chinese Government, Mr. Yoshida believes the present is an opportune moment for the Japanese Government and people to rectify their erroneous China policy as hitherto employed . . .

"Regarding the much-talked-of economic cooperation between the two countries as is being followed by Japan, Mr. Yoshida said that this would be possible only as long as China remains a semi-feudal, semi-colonial state, but China's political and economic progress in recent years has been rapid and the Chinese people have been earnest in working out their destiny."

Mr. Julean Arnold

This news item makes no mention of any comments by Mr. Yoshida on Communism in China, undoubtedly for the reason that he realized, as did all unbiased observers, that Communism in China had by 1937 just about spent its force and was no longer a matter of serious concern to those interested in China's modernization.

Following the revolution of 1911, China suffered serious internal disruptions for two decades, but by 1930 conditions began definitely to improve and by 1937 national unification became a reality. The restoration of confidence in the Central Government was evidenced by the increasing support of the country's bankers in constructive development projects.

AMERICA'S PROSPECTS IN CHINA BEFORE THE JAPANESE INVASION

No other country has made such phenomenal strides in modernization as had China during the past ten years. These presaged big potentialities in the trade of the future. They spelled a transition in imports from consumer to capital goods. They indicated manyfold increases in the country's imports. Those with vision appreciated their significance in its extensive ramifications. Mr. Yoshida and his colleagues sensed this when they made their report. They appreciated the potentialities in trade which a self-rejuvenated China could offer. Now, what about the possibilities of realizing on these potentialities? To be specific let us consider this subject under definite concrete sub-topics:

Railroads

China has but 10,000 miles compared with America's 250,000 miles.

During the past few years China rehabilitated existing lines, and was engaged in construction of several thousand miles of new railways.

China is the only country still needing as much as 50,000 miles.

For each 1,000 miles of railroads U.S.$50,000,000 worth of equipment is needed.

The country has experienced railroad engineers and operators necessary for handling its railroad problems.

Chinese bankers were participating in financing railroad construction.

Great Britain, France, Germany, and Belgium eagerly signed loan agreements for the construction of new lines under Chinese auspices, stipulating that materials must be purchased from their respective nationals.

The Export-Import Bank, Washington, was prepared to negotiate credits for the several hundred million dollars for American materials, bringing big trade opportunities to American manufacturers and labor.

Sales of railroad equpiment to China represent mainly manufactured goods and no war materials. The construction of 50,000 miles of railroads means the use of 100,000,000 wooden ties. This prospect is of special interest to our Northwest lumber interests.

Highways

During the past decade China has constructed 60,000 miles of highway, mostly in sections of the country which previously had had no roads.

About 80 per cent of the 75,000 motor cars in China are American.

Further plans embraced several hundred thousand miles with provision for coordination with railroads and waterways.

A prospering China will need millions of motor vehicles for the highways necessary to its economic transportation.

Waterways

The improvement of China's waterways was well advanced by 1937.

Existing steamship lines were reorganized and improved.

Schools were established in China for training personnel for the new Fleet.

China had purchased new steamers from England. It was preparing to negotiate for the purchase of American ships.

Airways

China had installed a network of air lines, making it possible to cover all important cities by regular schedules. In 1936 they carried 27,000 passengers.

A Chinese-American company occupied an important place in commercial aviation, operating about 3,000 miles of lines on a profitable basis, and was prepared to extend its operations and equipment several fold.

American equipment and personnel were outstanding factors in China's airways.

China completed airways connections with America, England, and France.

Telegraphs, Telephones, and Radios

Wireless telegraph stations were installed in the principal cities.

Radio-telephone communications were opened with America in May 1937.

A network of long-distance telephone was completed connecting important cities, although the total number of telephones was only 250,000.

The largest telephone company in China is an American concern in Shanghai.

Radio broadcasting stations were installed in important cities. America occupied first place in the supply of radio equipment.

Industrial developments

China made greater progress in the installation of modern industrial plants during 1936-37 than at any other time in its history. Throughout the interior smoke-stacks vied with pagodas for a place in the sun of New China.

Among the larger industries were cotton spindles, 5,000,000; looms, 50,000; flour-mills, yearly capacity 25,000,000 barrels; cigarette factories, yearly capacity 80 billion. The largest electric power-plant with 300,000 k.w. capacity is American owned.

The imports of industrial machinery and equipment presented prospects for ever-increasing sales of American manufactured goods, and promised steadily rising economic levels among the masses in China, hence increased purchasing power.

Building Construction

During the past ten years more cities and towns were reconstructed in China than in any other country in the world for a similar period.

Nanking, China's new capital, exhibited a most active building program and was destined to become one of the world's most beautiful capitals. The population had increased from 350,000 in 1925 to 1,100,000 in 1937.

Richmond Times-Dispatch
BUSINESS IS BUSINESS!
AMERICA SENDS HUGE SHIPLOADS OF SCRAP IRON TO JAPAN TO BE CONVERTED INTO WAR MATERIAL FOR THE RELENTLESS BOMBING OF DEFENSELESS CHINAMEN
AMERICA SENDS CONTRIBUTIONS TO CHINA TO REHABILITATE HOMELESS STARVING CHINAMEN AND TO RELIEVE AGONY INFLICTED BY JAPANESE BOMBS
7-14-39
FRED O. SEIBEL

With the beginning of 1937, China embarked upon a modern building program offering well-grounded hopes for big sales of American building materials, heating, lighting, ventilating, and air-conditioning equipment.

Agricultural developments

With 80 per cent of China's population rural, agriculture is of prime importance.

Improvements among rural masses during the years 1932-37 were a striking factor in effectively combatting Communistic activities.

The installation of credit cooperatives giving farmers money at 8 per cent annually instead of the former 2 and 3 per cent a month was of outstanding significance.

Better conditions among the masses were reflected in steadily increased purchasing power.

Financial betterments

With the beginning of 1937 China was definitely headed for currency stabilization, uniform currency throught the country, and adequate provision for refunding outstanding foreign and domestic loans.

Improved national credits were evidenced by the resumption of loans and credits by foreign countries, especially in long term credits to government organs for constructive projects.

The American silver policy which forced China onto a managed currency basic with notes of the Government banks as legal tender proved helpful to China's financial reorganization. It represents the most helpful contribution to the country in its present crisis as it enabled China to establish substantial credits abroad through nationalization and exports of silver.

Foreign trade

Had China been privileged to execute its modernization program upon which it was so well embarked in 1937, it would have startled the world by the huge

volumes of foreign trade which would have followed in its wake. The program portended a vastly greater emphasis upon capital goods, which were destined for constructive purposes.

Salient facts in America's trade with Chinn

During the five years preceding 1937, America led in both China's exports and imports, taking about 30 per cent of the former and selling about 20 per cent of the latter.

Our exports to China represented mainly manufactured products and agricultural commodities.

Our imports from China, which amounted to upwards of U.S.$100,000,000 a year, represented mostly raw materials or semi-manufactured products, hence were essential to our manufacturing industries.

Invisible items in our trade with China include banking, shipping, insurance, tourists' expenditures, missionary and government expenditures, the maintenance of American business and industrial concerns in China and American investments.

The aggregate of American investments in China is about U.S.$250,000,000, including about U.S.$50,000,000 in missionary and elemosynary institutions.

American trans-Pacific steamship companies early in 1937 reported the most encouraging outlook for years, especially in the American tourist trade.

In 1937 there were about 12,000 Americans resident in China, including about 4,000 resident in Shanghai.

American business houses, schools, missionaries, and other institutions and organizations all contribute toward the popularizing of American goods, methods and ideas among the Chinese people.

American motion picture films have been an important factor in popularizing things American. About 80 per cent of the imported films are American.

With the severance of Manchuria from China, our import and export returns with China were considerably reduced.

The 400 American concerns in China were unanimous in early 1937 in proclaiming that the country presented the most hopeful outlook ever offered, with prospects for a record year and still better opportunities for succeeding years.

A China free to work out its own destiny would undoubtedly offer oppotunities which, within a decade or two, would surpass those of Japan and most other countries, giving us an export trade with China probably tenfold that of the year 1936.

Thus at the beginning of 1937, America was just at the threshold of realizing in a big way on the potentialities in China's vast modernization program.

What country is better prepared financially to step in and realize upon China's potentialities than America? Shall we make credit advances to China for constructive developments and thereby conserve our future on the Pacific, or shall we make these funds available to Japan to further the ambitions of its military overlords and thereby jeopardize our entire future on the Pacific?

JAPAN'S PROSPECTS IN ITS TRADE WITH CHINA BEFORE THE HOSTILITIES

Mr. Yoshida is quoted as stating in his report as mentioned above:

"While other foreign powers are trying to create new opportunities to meet the new situation in China, Japan has remained inactive.

"Japan must henceforth discard her vigorous China policy and adopt one that is morally acceptable to the Chinese Government and is practical.

"It is absurd that Japan has always charged China with insincerity or befriending other foreign powers to antagonize Japan for which Japan's diplomatic and other Government authorities must be held partially responsible."

During the years immediately preceding the Japanese invasion, Japan's trade with China was on the increase, even discounting the smuggling trade in North China which did not enter into the returns of the Chinese customs. Had Japan followed the advise of its Chamber of Commerce at Shanghai and pursued a policy of friendly cooperation, it is patent that the Chinese were prepared to accord Japanese trading, industrial and financial interests, opportunities equally as good as those accorded other foreign nations. For instance, the Chinese Government expressed a willingness to negotiate credit loan agreements with the Japanese for railroad construction on terms similar to those offered other foreign nationals.

Senator Borah's Nightmare

Sapajou in the North-China Daily News (Shanghai)

However, Japan's military overlords demanded a degree of supervision over the construction and operation of these lines, which was repugnant to an independent China naturally set upon the preservation of its territorial integrity and sovereign rights.

Furthermore, it is more than probable that if Japan had been prepared to play the game on the basis of a recognition of the policy of the Open Door, American financiers and manufactureres would have been willing to participate with Japanese in development projects in China. In fact, Japan with its close geographical proximity to China and its natural facilities for tapping the Chinese markets, stood to gain by everything which other foreign interests might have done toward stimulating the vast modernization program upon which China had embarked.

JAPAN'S POLICIES IN THE INVASION OF CHINA

Prince Konoye, Japanese Premier, proclaimed on August 28, 1937, that Japan's only course in China is to beat China to its knees so that it will no longer have the spirit to fight. Previously the Japanese had always maintained that they were fighting in China to save it from Communism. However, Communism in China

had almost spent its force, hence this could no longer be cited as a legitimate pretext for the invasion.

Japan hopes:

1. By a policy of terrorism to subjugate the great masses in China, and thereby establish a Japanese feudal military overlordship on the Asiatic Continent.

2. To prevent the Chinese from developing the training or equipment for military protection, but to impress into the service of the Japanese armies as much of the Chinese manpower as can be safely and effectively used under Japanese military direction.

3. To set up on the Asiatic Continent a grandiose Japanese military machine in preparaton for further conquests in the Pacific and eventually to achieve Japan's so-called manifest destiny to rule the world.

4. To secure monopolistic control of China's economic resources, thereby freeing Japan from reliance on America for cotton, tobacco, iron and steel, heavy chemicals and certain other essential products. In North China, the Japanese are trying to force Chinese farmers to grow American type cotton even at the expense of cereal production, to guarantee to Japanese mills the needed cotton at prices probably less than half the production costs of cotton in America.

5. To control and direct all modern industrial developments in China, utilizing the greatest manpower in the world on a mere subsistence wage basis, thereby making possible the flooding of the markets of the world with cheap Japanese manufactured products.

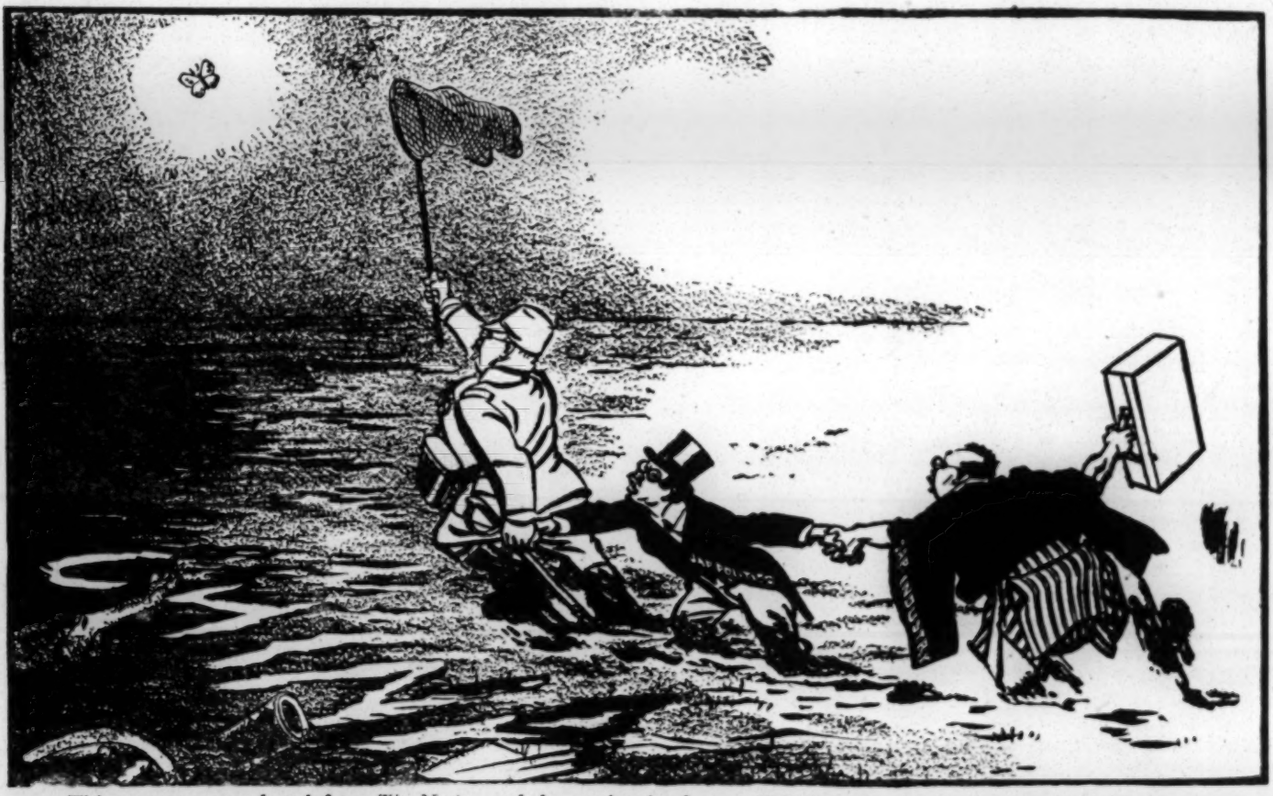
6. To create in China a monopolistic market for Japanese manufactured products through a control of all means of communications and through preferential tariffs and marketing facilities.

7. To set up Japanese controlled regional puppet governments vested with responsibility but with little or no authority, and answerable to their Japanese military overlords.

8. To eradicate from the Asiatic Continent American and other westernizing influences, sustituting the Japanese language for English and putting into the schools textbooks written in Japan.

9. Under the fiction of relinquishing special Japanese concessions and extraterritoriality, to induce other nations to do likewise and in reality develop China as one huge Japanese concession with Japanese nationals enjoying preferential considerations.

Further and Deeper Into China



This cartoon, reproduced from *The Nation*, and drawn by the famous British cartoonist Low, shows the Japanese warlords dragging Japanese politics and industry into the Chinese morass.

EFFECTS OF JAPAN'S UNDECLARED WAR ON CHINA

Military conditions (Statistics are estimates for January 1, 1939):

Japanese troops landed in China to date	1,300,000
Japanese troops landed in Manchruia to date	300,000
Japanese casualties	600,000
Japanese killed	250,000
Chinese Government troops in the field	3,500,000
Chinese guerrillas, (mobile fighters) (No estimates available, although it is known that the number runs into hundreds of thousands. Every Chinese man and woman is a potential guerrilla.)	
Chinese troops casualties	1,500,000
Chinese troops killed	600,000
Chinese civilian casualties: aerial bombs	150,000
Chinese civilian deaths	75,000
Chinese civilians forced to flee before invading armies	40,000,000
Chinese civilian refugees in summer of 1938	30,000,000

General effects

Hundreds of colleges, school and hospitals, thousands of industrial plants and business establishments, as well as tens of thousands of houses, have been destroyed or occupied by Japanese.

Hundreds of industrial plants, business establishments, and private houses have been appropriated without compensation.

Scores of cities and towns have been looted and hundreds of tons of art treasures shipped to Japan.

In areas occupied by Japanese, the Chinese customs revenues are being held by Japanese and none are relased for foreign commitments against revenues. China's financial reforms, which were nearing perfection before the invasion, are now threatened with chaos.

Occupied areas are scoured for metal coins, hence are depleted

of silver and copper.

Military notes, irredeemable and inconvertible, in denominations as low as one cent, the equivalent of about one-seventh of a cent American currency, are forced on the populace.

Opium shops and narcotics peddlers follow the Japanese armies; hence Japanese collect toll while demoralizing the population.

Wholesale disorder and brigandage are spreading over occupied areas with general political and econoic breakdown.

Japanese "occupied" areas in China at beginning of 1939 *(estimates)*

Manchuria, Jehol, and parts of Chahar, about 580,000 sq. miles.
Other sections of China, about 390,000 sq. miles.
Population of occupied areas, 180,000,000 (40 per cent of total population).
Percentage of area under Japanese control, 23 per cent.
Occupied area includes most of modern industrial plants.
Occupied area includes principal trading ports.
Occupied area includes much rich agricultural and mineral resources.
Occupied area includes two-thirds of China's railway mileage.

Chinese communications in operation, April 1939

1. China coast ports Ningpo, Wenchow and Foochow, through which exports, principally tung oil and tea, get out in limited quantities
2. Yunnan-Haiphong Railway, connecting by highway with Chungking.
3. Yunnan-Burma highway connecting Chungking with Rangoon.
4. Szechwan-Lanchow to Soviet Russia by motor cars and camels.
5. About 300 tons of cargo daily are shipped over routes two and three.
6. About 1,000 tons monthly pass over Lanchow route.
7. The Hunan-Kwangsi Railway in Southwest China permits transport across Kwangsi Province to Yunnan.
8. Commercial airplane services maintained between West China points and Hongking and Hanoi (Indochina).
9. Trans-Pacific air service thrice monthly with Hongkong, thence via Hanoi to Chungking and West China cities.
10. Sino-American airline operates between Yunnan and Burma and between Yunnan and Hongkong.
11. Radio-telephone services inaugurated between Chungking and Moscow and telecommunications extended throughout Chinese controlled territory.
12. The most powerful broadcasting station in the Far East is at Chungking, the present capital of China.

Industrial conditions beginning 1939

1. In Manchuria emphasis is placed upon projects essential to war industries.

2. In Japanese-occupied areas Japanese have destroyed or taken over principal Chinese industrial plants.

3. Chinese Government in areas under its control encourages economic self-sufficiency by promotion of industrial cooperatives with machinery available and by expanding handicraft industry. Banks are aiding in financing these developments.

4. Significant is the widespread modern economic development in areas under Chinese control, especially in Szechwan, Yunnan and West China generally, and includes expediting the development of latent mineral resources.

AMERICA'S PROSPECTS IN CHINA AFTER JAPAN'S INVASION

Railroads

A Japanized China will build and operate railroads primarily to further Japan's policies of military and economic domination of the Far East, using as soon as possible a maximum of Japanese equipment, even to the extent of tapping the stands of timber in Manchuria for ties or sleepers. Although we may be offered some alluring initial orders to secure our financial backing, yet as soon as Japan gets its financial wind, we shall have to be content very soon to take the crumbs that drop from the master's table and these will get drier as time goes. Japanized railroads will be so operated as to give preferential consideration to Japanese trade and other Japanese interests.

Highways

Roads will be built as accessory to railroads and waterways and primarily for Japan's military purposes and to further her plans for tapping the economic resources of China. As for equipment, American branch plants in Japan may, some for years, be permitted to supply cars, but all accessories will be manufactured by Japanese concerns. In fact, Japan is already engaged in developing a plant in Mukden for the manufacture of motor cars and trucks.

Waterways

The Japanese flag will enjoy exclusive privileges on the inland waterways and coastal trade of China, under a Japanized China. Vessels will be built in Japanese shipbuilding plants. Through the control of all internal water routes, Japan will have a stranglehold on the trade and economic develoments of China.

Airways

American participation in the operation of China's commercial aviation will cease immediately under a Japanese dominated China. Japan will dictate the terms under which we shall be permitted to operate our Trans-Pacific air-clippers in making connections with China, and if possible other sections of the Far East as well. A minimum of American equipment will be purchased, the quantities decreasing as Japan is able to produce its own airplane industry.

Telephones Telegraphs, and radios

With a Japanized China, American equipments will become as rare as snow on the streets of San Francisco. Broadcasting will be censored so that China will be fed what Master Japan wants to give it, and send out what he wants it to say.

Industrial developments

With a Japanized China, here is where America will be hoodwinked into believing that it is going to get some good business. Exacting long-term credits, the Japanese will take American machinery but only to build up industries whereby they may use Chinese labor on mere subsistence wages, so as to outdo the rest of the world in production costs and then flood the world with their cheap manufactured products. We shall then be faced with a real "Yellow Peril." Thus we shall be invited to furnish capital and equipment to help Japan undermine our wage scales and standards of living. Furthermore, Japan will be especially concerned with building up war industries on the Asiatic Continent, so that we shall be asked to help finance these, as we have been helping Japan to build up war industries in Manchuria. What sort of investments will these present for American capital?

Trade and cultural stakes

Following the outbreak of hostilities, several thousand Americans were evacuated from or had to leave China because of the Japanese invasion. Huge quantities of American cargo destined to China had to be diverted. American properites in China have been destoryed or occupied by Japanese armed forces. In fact, foundations in trade and cultural contacts built up after decades of labor and with outlays of hundreds of millions of dollars are being destroyed by this undeclared war on China.

The U.S.$250,000,000 in American investments in China under a Japanized China will be threatened with extinction. By forcing exports and imports in China to be handled through Japanese concerns, our banks, insurance companies, steamship companies and other servicing organizations now constituting important items in our invisible trade will have to do what our companies in Manchuria did: namely, to get out.

The losses, direct and indirect, to American interests will aggregate more than the total of our trade with Japan for some years.

America has been tobogganned from first to third place in China trade, with heavy reductions in both exports and imports.

The United States has depended upon the Chinese for large quantities of materials which enter into our manufacturing industries, such as tung oil for varnish, bristles for brushes, vegetable oils for cooking, fats and soaps, wool for carpets, goatskins for women's shoes, antimony for type and babbit metals, tungsten for high-speed machine tools and electric light filaments, and tin for tinned plate. We were China's best customer, taking 30 per cent of its exports. Japan aims to secure control of these commodities, purchase them with fiat money, force us to buy them with good American money and pay tolls to Japanese brokerage houses, banks, insurance companies, and ships. Japan may even force us to take them in processed form if it chooses.

Japan's plans for the increased production of American type cotton and leaf-tobacco in China, if successful, spell the doom of our former lucrative trade in the Far East in these commodities. Japan will be able to force the Chinese at the point of the bayonet to raise American type cotton at three or four cents a pound. Recent reports from China inform us that the Japanese authorities plan to rush their cotton production program by making cotton planting in North China compulsory, while attempting to prohibit the planting of cereals, counting upon Manchuria to supply the latter to North China.

Through the use of their Federated Reserve Bank notes, which are inconvertible and irredeemable, the Japanese are shutting out American competition in imports and exports in Japanese-controlled areas.

Through preferential tariffs, transportation and travel facilities, and currency exchange manipulations, Japanese traders and goods are forcing Americans and American commodities out of the market. Its policies threaten the elimination of the American mercantile marine from the Pacific.

Through the control of the telegraphs, posts, and all other means of communication, Japan will set up annoying barriers against American contacts with China.

Anti-American propaganda is being broadcast in Japanese-controlled areas for the purpose of killing the effectiveness in American trade and other relations of American-educated Chinese and those friendly with our institutions, goods, and methods.

The appalling destruction of property and lives has reduced the purchasing power of the population, curtailing seriously import possibilities for American goods which in China sell on a quality basis.

By the wholesale operations in China of Japanese opium and narcotics vendors, the difficulties in shutting out narcotics from our country will be multiplied very considerably.

IS AMERICA AN ALLY OF JAPAN?

While public opinion in America sympathizes with China's cause in the defense of its country from foreign invasion, yet as circumstances have developed, we actually find ourselves rendering far more material aid to Japan than to China. The vast bulk of our exports to Japan during these past few years have been in war materials or commodities which figure in Japan's war industries. A recent *United Press* news item from Tokyo informs us that 10,000 taxis have been taken out of service in Tokyo alone, while private owners of cars are limited to one gallon and a half of gasoline daily, so rigid are the rations of materials used for the prosecution of the war. In Japan's needs for iron, cast-iron and rubber splash guards have been taken off automobiles, and bicycles no longer have tin license plates. Efforts are being made to substitute porcelain for iron for mail boxes. In the same way, the government control of textiles has reduced purchasable linen, woollens and cotton almost to nothing.

Some have boasted of our increased imports to Manchuria during these past two years, but reports from official sources in Manchuria show that nearly all of the exports are for war industries. Thus during these last few years comparatively little of our exports to Japan, which roughly total about U. S. $300,000,000 annually, are other than war materials.

If one were to follow the Japanese armies in China and witnessed all the American mechanized equipment, he might think, except for the personnel, that he was following the American armies.

By the purchase of Chinese commodities from Japanese concerns in the Japanese-controlled areas, we are helping further to assist Japan in the purchase of war materials. Japan buys these products with irredeemable and inconvertible paper or fiat money, and we have to pay American money, thereby helping it to establish credits abroad.

It is estimated that upwards of U. S. $20,000,000 is being sent back to Japan annually by some of the 280,000 Japanese resident in America. On the other hand, Americans resident or having interests in Japan or Manchuria are forbidden by the Exchange Control Laws from sending any money from those territories.

Japanese are permitted to flood our country with tons of propaganda, to broadcast over our radio, and to send their spokesmen to plead Japan's cause, while we are prevented from the opportunity of presenting to the Japanese people our interpretation of our views and our interests in the China situation.

The longer we delay taking positive action to protect our interests in Asia and the Far East, the more difficult will become the task because the more deeply the Japanese penetrate China, the larger the sources of supply upon which Japan will be able to draw for assistance in carrying on the war.

SUGGESTED COURSES OF ACTION OPEN TO AMERICANS

Japan has violated the Nine-Power Treaty and the Kellogg Pact, and the United States enjoys extraterritorial rights in its treaty with China which impose on it certain responsibilities to American nationals, which it is now unable to guarantee because of Japan's undeclared and unprovoked war on China; therefore it is proposed that we institute certain reprisals against Japan in our efforts to protect our rights and interests in China. Among the suggested reprisals which may well receive consideration are the following:

1. Devise some method of effectively controlling the flow of American war materials to Japan.

2. Study carefully America's needs in essential war materials in case of emergency demands, so as to safeguard our country against the depletion of stocks necessary for our own armaments.

3. Impose prohibitive import tariff duties on commodities imported primarily from Japan. In this connection, an import tariff of 100 or 200 per cent on raw silk, which constitutes over 50 per cent of our imports from Japan, may prove quite effective in curtailing this trade.

4. So long as Japanese military or other organizations continue to occupy American premises in China without due compensation or permission, consider some reciprocal action.

5. In order to help Americans in their purchases of Chinese commodities in Japanese-controlled areas, require that purchases of Chinese commodities be accompanied by consular certificates showing that they were financed through American currency transactions with no discriminations against American buyers.

6. So long as the Japanese refuse to allow the free passage of American commodities in the waterways of China and embarrass our American concerns operating in China through the imposition of disastrously discriminatory treatment which in some cases amounts to confiscation, restrict Japanese ships in their use of American harbors.

7. So long as Americans in Japan and Manchuria are prohibited from sending money from those countries, devise some method of making it difficult to send money from America to Japan.

8. Discountenance American manufacturers and bankers extending credit accommoditions to Japan while Americans are discriminated against in trading in China.

9. Insist that American manufacturers do not shift the handling of their business in China from American to Japanese houses.

10. Encourage American manufacturers and exporters to organize export syndicates effectively to prevent Japanese importers and exporters from operating under monopolistic conditions, playing one concern off against another.

11. So long as Americans are not privileged to send materials or radio broadcasts into Japan to enlighten the Japanese people concerning the situation in China as it affects American interests, and so long as Japanese in China censor American mail and other communications going into Japanese occupied areas, measures should be taken to prohibit Japanese propaganda from being disseminated in the United States.

12. Extend credit facilities to China for the purchase of American commodities, as one way of helping the Chinese to make their defense effective. A loan of a few hundred million dollars at this time would be tantamount to insurance on a Pacific peace policy. In this connection, the facilities of the Export-Import Bank should be extended to make the advancement of these credits possible.

HOW IMPORTANT ARE OUR RESPONSIBILITIES AS A PACIFIC POWER?

Much has been said in the past about an impending Pacific era. Few of our people now realize that with Japan's invasion of China, which is in fact one of the most momentous events in all of history, the Pacific era has been ushered in. It is here. Henceforth, what may transpire in this section of the world is likely to be of even greater concern to us as a nation than what may happen on the other side of the Atlantic.

America is essentially more of a Pacific than an Atlantic power. It is feasible to construct a bridge across the Behring Straits whereby it may be possible to drive our motor cars across onto the Asiatic Continent. In fact, the shortest distance from St. Louis in the Mississippi Valley to Hankow in the Yangtze Valley is along the great circle traversing the Behring Straits. Furthermore, we have a greater Pacific coast line than has any other Occidental nation.

Modern means of communications have brought our Asiatic neighbors into a stone's throw of us. We can now hail them across the water. We cannot any longer build up walls of isolation shutting us away from the rest of the world. The Pacific Ocean is no longer a formidable barrier separating us from the Far East—better now called the Far West.

We have spent hundreds of millions of dollars and sent tens of thousands of our nationals to China and Japan in efforts to carry American ideals and ideas to the Far East. Millions of Chinese and Japanese speak, read, and write English, and understand us and our institutions. How many Americans are there who possess a substantial knowledge of China and Japan and understand the psychology of the Chinese and Japanese?

Many Americans with little background in things Japanese but prominent in our business, industrial, professional and other walks of life have visited Japan, and their Japanese hosts found it easy to fit them with Japanese glasses and ear trumpets, which enable them to see and hear the Japanese versions of Far Eastern matters. Some of these, after returning to America, continue to wear these Japanese glasses and ear trumpets, indicating quite clearly that our whole educational system is at fault in not furnishing our people with the means of a good education in the fundamentals of the civilizations and institutions of these important Asiatic peoples.

Japan moved into Manchuria, a territory larger than Germany and France combined, and now threatens to occupy an area greater than the United States with a population nearly three times larger, yet we show more concern over the taking of a few hundred square miles in Europe by a European power than we manifest toward what constitutes a major threat to our entire civilization.

If Japan succeeds in its conquest of China, it will not stop there. Japan's occupation of Hainan Island and the Spratly Islands indicates that it has greater ambitions. It aims to set itself up as master of the Pacific. With 150,000 Japanese in the Hawaiian Islands, how long will it be before it will demand that the Japanese flag be hoisted over this important American outpost in the Pacific?

Japan has exhibited a persistent interest in the rich fishing resources in the Alaskan waters. How long will it be, should it succeed in its ambitious on the Asiatic Continent, before Japan pushes its fishing fleet into our northern waters and begins colonization in Alaska?

In January of 1929, Mr. Soda Saburi, the Japanese Charge d'Affaires in London, was quoted in the Shanghai press as having given utterance to the following sentiments:

"There are those who think that a stage has been reached in the life of Japan when she must decide whether she shall throw in her lot with the East or West. The idea is manifestly one which presupposes antagonism ultimately leading to conflict between the two civilizations and is comprehensible only if one tolerates the policy of a "Yellow Peril." It is, however, entirely too narrow in its conception and far too terrible in its potential consequences to merit consideration by Japan, who in her pursuit of the goal of enduring peace and the continuous advancement of makind, aspires to serve as a link connecting and harmonizing the civilizations of the East and the West".

Taking these sentiments, along with those of Mr. Yoshida as quoted in the earlier part of this article, one must be convinced that there are Japanese who think very differently from their military leaders who are now dictating their country's policies. Were Japan's destinies entrusted to those possessed of these forward looking sentiments, we should have good reason then to be optimistic regarding the prospects of developing policies of peacefull cooperation with our neighbors on the Pacific. But in our ignorance and apathy we have thus far chosen to give our material support to Japan's militarists, who are obsessed with the ambition to set themselves up as military masters of Asia and of the Pacific, preliminary to world domination, all of which is in keeping with what they are taught to revere as Japan's "manifest desinty." Shall we not, if we continue our drifting policies, invite the annihilation of our standards of living and our democratic institutions?

The 'Badlands'—Festering Sore of Vice and Crime

Editor's Note:—Shanghai's "Badlands," the territory on the Western fringes of the city's foreign-controlled areas which long ago became notorious as a hot-bed of all kinds of vice conducted under the benevolent eye of the Japanese military and their Chinese puppets, has come into the limelight again. Last week it was reported that a new gambling establishment, rivalling in its extravagant pretentiousness the ill-famed Hollywood Garden which fronts on the extra-Settlement Yu Yuen Road, had opened its doors at 15 Jessfield Road, with the first night's turnover reaching the impressive total of some $30,000.

The unsavory Badlands got still more publicity last week when the results of two weeks' investigation of the area by a reporter of the *North-China Daily News* were printed in that journal. The reporter declared that 22 licensed gambling dens in the outside roads area of the Western District were getting protection from about 660 armed and 1,300 unarmed members of the underworld fraternity. These figures, it was stated, did not include armed and unarmed "bodyguards" employed by the well-known gang which operates the "Hwa Wei" lottery or numbers racket both within and without the foreign-controlled areas. This gang has its headquarters in an alleyway off Robison Road and some 200 branch offices spread over the outside roads districts.

The following article, which exposes the gambling, opium and crime rackets in the Badlands, emanates from a source which *The Review* believes to be well-informed on the subject. For obvious reasons, the author has preferred to remain anonymous. For all the detailed statements of fact which it contains, we are not in a position to vouch. In general, however, as our readers will note, the picture given conforms to well-authenticated facts from other sources which have received publicity from time to time and which have never been seriously challenged.

CONSISTING of three main districts, the Badlands are in territory under the jurisdiction of the Shanghai City Government, formerly the "Ta Tao" administration, headed by "Mayor," Fu Siao-en, who obviously takes his orders from the Japanese military. Each of the three districts is ruled directly by three separate organizations or unions of gambling house proprietors, opium hongs, and owners of dens in which various narcotics are dispensed to addicts.

The most important of these districts, the one conducting the liveliest business, is Zaokadoo, also known as Jessfield Village and including the notorious Brenan Piece. It embraces all the gambling and vice establishments found off Jessfield, Robison and Connaught Roads, At the intersections of these roads are five terraces, many of the houses being occupied by gambling joints, wholesale opium shops, and retail narcotics dens. The largest of these terraces, and the most notorious, houses over 400 dens of all descriptions, including the better known opium hongs and opium-smoking dens.

Wholesale opium shops are marketing drugs supplied exclusively by the Japanese. The *Hun Tu* (Red Earth) brand of Japanese opium is sold for between $12.50 and $13.50 per ounce. *Ne Ny Tu* or *Nu Yih Tu*, a brand produced in Manchukuo, sells at from $9 to $11 per ounce. Another brand on sale is *Lanchow Tu*, from Lanchow, the capital of Kansu province, the price being $14 to $15 per ounce. *Yun Tu*, represented as the well-known "quality opium" from Yunnan province, but actually brought here from Formosa, Canton and Hongkong, sells at from $14.50 to $17 per ounce. *Toh Chi Tu*, the "Egyptian brand," sells at from $17 to $19 per ounce. Finally there is the *Doo Tu* or Indian opium, supposed to be of top-notch quality. This brand, selling as high as $85 to $93 per ounce, is traded to wealthy customers besides being used by robbers and gangsters.

Practically all the opium addicts in the International Settlement and French Concession get their supplies of the drug from the Zaokadoo hongs, which are reputed to have a collective turnover of about $2,000,000 a day.

The better-known opium-smoking dens, those having scores of pipes on their premises, include the *Sse Ng Loh* (4, 5, 6), the *Ta Hu Kun* (Peach Blossom Palace), the *Ho Yu* (Good Friend), the *Ta Sse Yue* (Three Large Circles), the *Ta To Wei* (Metropol), etc., etc. All do a roaring business, catering to opium smokers of all classes, including denizens of the underworld.

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THE opium center in Zaokadoo is run by the Union of Opium Dealers in collaboration with the "Opium Suppression Bureau" of the puppet "Reformed Government." This bureau recently established headquarters in Broadway Mansions (in Japanese-controlled Hongkew, just north of Soochow Creek). It is, or was, headed by a man named "Chow." The opium hongs get their stocks through the main distribution office of the Japanese Army and enjoy a more or less independent existence, free from interference, for the "Ta Tao" police are in reality only auxiliaries to the "bodyguards" and loafers employed by the dealers to guard their nefarious traffic.

Prices of the drug, as quoted above, are extremely high compared to former times. They are maintained at high levels by the Japanese, who need desperately all the revenue they can lay their hands on. While prior to the hostilities the price for one ounce of Yunnan opium was never higher than $2.40, the inferior substitute now sold is $17 and sometimes $19.

The only reason for this huge price increase is Japanese greed, for there is an abundant supply of the drug and tens of thousands of cases are offered to wholesale buyers at a discount. In some of the occupied areas salaries are often paid in opium in lieu of that scarcer commodity—money. This is the case in Nanking, in Wusih and in Shanghai.

While there is an abundance of gambling dens in the Zaokadoo district, alongside the narcotics dens, all are "second grade," despite the fact that they do a profitable business. Their patrons are men and women of modest means. Nevertheless, these dens employ armed and unarmed guards, among whom must be included numerous Russian "watchmen" and bodyguards whose job it is to protect the owners against rival racketeers and gangsters. This does not prevent crimes of violence, however, which are committed daily by the score.

These crimes are seldom, if ever, reported to the authorities, and for several reasons. First of all, crime

publicity would tend to frighten away customers. Secondly, the racketeers do not want to place themselves under too much of an obligation to the "Ta Tao" police, who in addition to being absolutely inefficient are shamelessly greedy and avaricious. In general, the racketeers want to keep the Badlands as their exclusive preserve and to settle their own problems. For at least 60 and perhaps even 80 per cent of the total "floating" population of the area, including the den owners and their servitors, are criminals for whom the Badlands is the best possible asylum—as long as it remains free from effective police control.

WEALTHY and more discriminating patrons of gambling devices frequent the "houses" fronting on the extra-Settlement roads—Yu Yuen Road, Great Western Road, Bubbling Well Road, Avenue Haig and other thoroughfares. The best-known of these establishments is the notorious casino known as Hollywood Garden, with its four double-decked roulette tables, Wealthier patrons of the "easy money industry" patronize them because they consider they will be better protected.

The Asia Club, most exclusive of the gambling resorts, so exclusive that no foreigners are admitted, is located at 65 Gordon Road and is entirely within the International Settlement. It is said to have a Japanese cashier and for a time had a higher nightly turnover even than Hollywood.

However, it was inevitable that the gambling evil should spread into the International Settlement. It is now rumored that several small "wheels" are in regular operation in various apartment buildings on Bubbling Well and other prominent streets. One naturally wonders why the Settlement authorities, particularly the Police and Prosecuting branches of the Settlement Administration make no attempt at suppression. Are they afraid of the Japanese, or are there other reasons? Sometime ago the matter was mentioned to one of the leading Municipal officials whose only reply was, "The matter should be investigated."

Who are the patrons? They are sons of rich men who take their dancing girls out for an evening's pleasure at roulette, *fan tan* or other games. Then there are sing song girls with "money to burn," the so-called girl guides (high-class prostitutes), shroffs, cashiers, brokers, merchants and the well-paid employees of large firms. The same ultimate fate awaits them all. There are endless suicides following upon embezzlement committed by employees in search of a smooth road to fortune.

A distinguished role is played in the gambling business by attractive young Chinese girls hired by the joints and rather cynically called "Daughters of Fortune." It is their duty to entertain and "console" patrons who have lost their money by treating them to a free pipe of opium, complimentary cigarettes and suppers, the idea being to soften the blow of outrageous fortune and induce the patron to return the following day to "win back" what he has lost.

There are winners, of course, but they are hardly more fortunate than the losers when they get into the toils of the "Daughters of Fortune." Suppose a patron has won a few hundred or a few thousand dollars, and s about to depart with his winnings. A pretty damsel approaches and by means of flattery and cajolery persuades him to stake his money on "your girl's" luck. Even if the patron is a sophisticate and refuses to be trapped by such persuasiveness, more dangers await him, for on leaving the gambling hell he has not infrequently to run the gauntlet of armed robbers, who in all probability have been tipped off to his "good luck" and the time of his departure for home.

The "Hwa Wei" lottery, comparable to the "Numbers" racket which used to flourish in American cities, is also run in and from the badlands, as stated previously. Its ramifications extend into the International Settlement and French Concession, where thousands of poor citizens are relieved with regularity of hard-earned and badly-needed money in exchange for a slender "chance" to win a very modest sum which in no case can exceed $100. The price of these "chances" is small for the poor man, often only a few cents, but the racket in the aggregate nets the promoters enormous sums.

APART from this, there is the *Pai Ku Pei*, a new gambling racket organized by the Yu Yuen Road gangsters upon the old Cantonese pattern. Long ago, it was prohibited by the legal Chinese Government. Today it has been rivived under Japanese protective auspices. *Pai Ku Pei* means, literally, the "White Postal Pigeon Message," and the expression is probably derived from the service of that kind used in China in ancient times to convey important messages, including tidings of successes in the Imperial examinations. Hence the term came to suggest good tidings of a more or less unexpected nature.

The "game" appeals immensely to the Chinese. For 10 cents they buy a set of 10 characters from a total of 80 extracted from the ancient Chinese book, *Tien Di Jih Yo* (Heaven, Earth, Sun, Moon). Twice a day the promoters construct a 10-character sentence from the 80 selected characters. If among the 10 characters he has bought the gambler has four which are among those in the constructed sentence, he gets a prize of 14 cents for his 10-cent investment. For five such characters he will win $70, and for six characters $200. His chances of winning however, are very slim, for by smart arithmetical calculation the promotors manage to construct 10-character sentences which weight the game heavily against the gambler. The latter, if he fancies his "ability to select," can buy as many sets of 10 characters as he chooses, paying 10 cents for each set. In addition he can purchase a "last character," which, if it happens to correspond to the final character in the constructed sentence, will net him $7 for his dime, or $70 if he "invests" one dollar. These "last characters" are not included in the 10-character sets which the customer selects, but are sold separately.

The headquarters of this new racket, which rakes in huge sums from Shanghai's Chinese population each day, are near the corner of Jessfield and Yu Yuen Roads, at the rear of the Paramount Ballroom.

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OPIUM and gambling are not the only features of "life" in the Badlands. Approximately two months ago, Wang Ching-wei, expelled Deputy Chief Executive of the Kuomintang and now the candidate for the job of Japan's Number One Puppet, arrived in Shanghai. He came here, apparently with ample finances, and launched his so-called "peace movement" by founding a new party which he named the *Sin Kuo Min Tang* or New Republican Party, with headquarters on Edinburgh Road and nine branches throughout the occupied areas of Kiangsu and Chekiang.

The money which Wang's supporters and hangers-on disburse with ostentatious prodigality has naturally attracted all kinds of political adventurers. Those recruiting members for the new party allegedly induce the candidates for membership to "prove their loyalty" by betraying anti-Japanese organizations and individuals.

The Badlands are a forbidden zone to all Japanese subjects by edict of the Japanese authorities: the "amenities" of the area are reserved exlcusively for the Chinese (with a few foreigners now and then) for whom Japan is constructing a "New Order." Crime grows more

and more rampant. The Badlands swarm with sneak thieves, pickpockets and swindlers of all descritions. Hold-ups and armed robberies are of almost daily occurrence.

Few of the crimes are reported to the police. The police of the International Settlement have no juridisdiction, and the "Ta Tao" police are too inefficient, if not too cowardly, to make any attempt to preserve any order. There is, indeed, reason to suspect that the "Ta Tao" police participate in some of the crimes, or at least instigate them, for their pay is very small and it is becoming increasingly difficult for them to collect "goodwill contributions" from den-owners. In the "good old days" of a few months ago a "Ta Tao" policeman could collect a "goodwill contribution" of as much as $100 from a den-owner. Now he has to be content with 10 or 20 cents and consider himself lucky to get even that. All around him, however, he observes the huge profits derived from racketeering and crime. And so, when opportunity comes along, it would be surprising indeed if he failed to let himself in on some of it.

Frank Oliver's Book on the "Special Undeclared War"

Several months ago a foreign journalist in Peiping heard a report of a Japanese sentry slapping the face of a Chinese woman. Incidents of this character occur wherever Japanese sentries are posted, but in this case the woman happened to be the wife of a prominent Chinese official in the puppet Provisional Government at Peiping. The journalist investigated the incident and found the report to be correct. It had been observed by five reputable witnesses. The journalist was correspondent for a large news agency, so he reported the incident and it was widely printed in China and abroad. It created a bad impression among the Chinese everywhere.

The correspondent who wrote the story was Frank Oliver, manager of *Reuters* in Peiping. An account of Japanese military reactions to the publication of the "slapping" incident appears in Mr. Oliver's new book, "Special Undeclared War", recently issued from the press of Jonathan Cape, London. He stated that the story aroused the ire of the Japanese Army and as a result, Mr. Oliver was asked, peremptorily, to publish another story saying the original was false. The following is Mr. Oliver's own account of what followed,

"Less peremptorily, but none the less firmly, I refused, but at the same time offered to publish any official Japanese version of the incident the army cared to supply. This, however, was insufficient. I must publish their version and underneath it a statement that I fully accepted it. The 'order' to do this came from an army officer of some standing, Col. Shigeyasu, staff officer of the Japanese Commander-in-Chief, and he obviously wasn't used to much other than blind obedience. He said deliberately, according to the official interpreter, 'This report has aroused much feeling and I think your personal safety may be endangered.'

"This very thinly veiled threat, afterwards the subject of British diplomatic representations, made the Japanese fully responsible for my personal safety but it didn't prevent the angry colonel taking measures to annoy. Outside my house next morning were stationed forty Japanese army buglers. Now a Japanese cannot blow a true note on a bugle to save his life and these men didn't attempt to. Half at a time they drew breath and just made noise, incredible cacophony. When one half was breathless the other half carried on and so it went from 7 a. m. to 6 p. m. with a short interval for lunch, day after day. When this failed to move me a detective was placed outside my house to follow every step I made. But he was a poor detective and I found it easy to give him the slip. After three weeks of this foolishness the Japanese Army sounded the retreat and accepted my original proposal. Then it was my turn to make demands and buglers and detective disappeared overnight. But if I thought that the Japanese Army had finished with me, I was mistaken. An official Japanese news agency published all over Japan, Korea and Manchukuo a deliberate falsehood that I had admitted my error and said that the original story was untrue.

"When I protested to the agency an official of it replied that if I had any complaints to make I should make them to the Japanese Army. That seemed to me significant."

The incident, typical of developments in China where foreigners, that is westerners, come in contact with the Japanese Army, is quoted at length to give an idea of the interesting and practical nature of Mr. Oliver's new book, which gets its title from another incident, the Japanese action in shooting down the C. N. A. C. plane near Hongkong resulting in 14 of its 17 occupants being killed by machine-gun bullets fired from five Japanese naval pursuit planes. The air liner, property of an American-Chinese company, was plainly marked in Chinese characters, quite legible to Japanese aviators, indicating that it was a mail and passenger plane in non-military service. Japanese bullets had actually traced the Chinese characters on the side of the plane.

The American pilot escaped unhurt, as did the Chinese co-pilot, while the seventeenth person, a Chinese passenger, had a bullet through his neck. Among the fourteen dead was a baby less than a year old and a Chinese boy of five. But not among either the dead or wounded was Dr. Sun Fo, son of the late Dr. Sun Yat-sen and high official of the National Government, who was the intended victim of the attack. He was the intended victim, for whom the Japanese Navy was willing to shoot down seventeen innocent civilians and an airplane jointly owned by China and America. Evidence that the vicious Japanese attack was intended to kill every passenger in the plane was clear from the manner of the machinegunning.

When the details of the episode reached Peiping through a strong Japanese censorship, the spokesman of the Imperial Japanese forces in North China was questioned by a few foreign correspondents, among them Mr. Oliver. The Japanese Army officer defended the action of the Japanese gunners on the ground they were "merely carrying out orders." He argued that what had been done was permissible in war.

Mr. Oliver then asked him, "But are you technically at war, Colonel? Why is this war always referred to in Japan and by all Japanese as an 'incident?'

"Taking a full breath like a man about to make a plunge the spokesman, pale with suppressed anger, said, 'Foreigners who don't know China cannot understand. This is a *special* undeclared war.'" Commenting on this incident, Mr. Oliver said:

"The person who understands all that underlies those dozen words of a Japanese official will know practically all that needs to be known to understand the Great War for China; will understand why four hundred million Chinese stand with their back to the wall, why Japan has nearly a million troops on Chinese soil, why Japan feels she is engaged on a heaven-sent task, a holy war against a Chinese political party in which the party suffers little and the fatalistic and innocent Chinese peasant suffers so much more than anyone else. This is, in all truth, something special in undeclared wars."

It is unnecessary to suggest that this book should be read by those interested in the Sino-Japanese struggle, for it will be read and preserved for future reference because of the background material it contains, written in interesting fashion by a man who observed practically all of it and by a man long experienced in the politics and happenings of North China. Some of the subjects which the writer jotted down in reading the book were: Mongols, Tibet, Mohammedans, the wool and hide business at Kalgan, Japanese shipping on the Yangtsze, Japanese and the press, interference with the mail, cigarette taxes—British brands pay more, the Federated bank, Chinese Reds, the three stages of the war, the puppet regimes, position of the foreigner, conclusions.

"To What End," is the title of the last chapter, which states the question uppermost in most minds: "When and how will this conflict end? Are the two nations to fight themselves to a standstill leaving Russia holding the balance of power in the Far East?"

The book was written at the end of 1938, at which time it was obvious to all observers that Japan was little nearer her objective than when she began in July, 1937. Her armies had marched deep into China and by the conduct of her troops forfeited the goodwill and respect of the Chinese people. "These armies occupy territory which will long remain passively unfriendly. Japan shows great military strength in her drives into Chinese territory and astonishing weakness behind the lines, chiefly weakness of policy. China, on the other hand, militarily weak except in manpower, has a strength which is a passive quality. No nation has survived more conquests, no nation is more vulnerable or less mortal . . . Japan perhaps is wondering today whether the consequences of stepping into a bog do not face her now . . ."

In his final paragraph, Mr. Oliver refers briefly to the situation in Europe which Japan is watching closely . . . "War in Europe would mean success for her imperial plans and the extension of the rising sun empire to include all China. Peace in Europe engenders pessimism in Tokyo. Locked in desperate combat both China and Japan watch with anxiety the political weather vanes of Europe."

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The current activities of the Chinese Kuomintang politician, Wang Ching-wei, has introduced a new element into the Sino-Japanese struggle, and also into the world struggle due to his advocacy of the doctrine that China should join the Tokyo-Berlin-Rome Axis; that China should accept the Japanese peace terms—recognize Manchukuo, Japan's predominant position in North China, become the weaker member in a military-economic alliance, and finally join the anti-comintern pact. Wang's emergence as the Number One Japanese puppet has introduced a political element into the Japanese side of the war which previously was absent. It remains to be seen whether the Japanese will be any more successful in this field than they have been in the other, excepting, of course the military phase.

But, as stated previously, to understand the present, one must be familiar with the background and that is provided adequately and in interesting manner in Mr. Oliver's book. Being British he probably understands the significance of developments affecting British interests better than others.

"Special Undeclared War," contains 368 pages, with an introduction by Peter Fleming of the *London Times*, who also has written several interesting books on Far Eastern subjects. Mr. Fleming remarks, significantly, "Mr. Oliver does not think much of the Japanese in China, and nor do I."

Anti-Japanese Resolution Causes Complications at Manila

The fact that there are many thousands of Chinese in the Philippines and that they exercise potent influence in the political and economic life of the New Commonwealth is generally known. For many months the leaders of the Chinese community at Manila have contributed funds for relief of their harassed fellow countrymen and recently they have raised considerable money for the industrial cooperative movement which is being pushed in "free China," that is the portions of the country which are "free" of the enemy.

Although the Japanese also are strongly represented in the Philippines from the standpoints of population and investments, the Filipino officials have managed to prevent a clash between the hostile minority elements in the population. That trouble may develop however, was indicated on July 8 when the authorities at Manila issued a warrant for the arrest of Senor Antonio Bautista, who served as chairman of a convention staged in Manila by the so-called Congress for Democracy and Collective Security. The warrant was signed by Judge Emiliano Tirona of Court of First Instance. Senor Bautista was charged with violation of an act of the legislature," tending to incite war or giving motives for reprisal." The charges grew out of a resolution passed by the Congress on July 4 advocating a boycott of Japanese goods and the dispatch of a telegram to Gen. Chiang Kai-shek pledging financial aid to the Chinese cause.

A 6,000 peso (US$3,000) bond for Senor Bautista was provided by the Philippine Civil Liberties Union and telegrams were immediately sent to the United States Civil Liberties Union requesting assistance on behalf of Bautista.

Sr. Bautista in an interview with newspapermen said that he welcomed court action because of the necessity of determining "the fundamental question whether a person's freedom of speech and right to peaceful assembly really exists in our country whose constitution guarantees these rights."

On the day following the meeting of the Congress and the passage of the resolution pledging aid to China, the Japanese Consul-General, Jitaro Kihara, made a strong protest. The Manila police then filed minutes of the meeting with the city attorney in order to determine whether President Quezon's Sino-Japanese Neutrality Proclamation of Feb. 3, 1938 had been violated. Later President Quezon's secretary sent a strong letter, on behalf of the President, to Sr. Bautista, expressing extreme displeasure at the action of the Congress in passing the anti-Japanese resolutions.

On July 10, according to *United Press*, four prominent members of the Philippine Civil Liberties Union resigned their memberships as a protest against the action of the organization in furnishing a 6,000 peso bond for Sr. Bautista. Dr. Agerico B. M. Sison, prominent member of the Union, who resigned, said that "while freedom of speech was a precious boon guaranteed by the constitution, this right must always be subordinated to the greater interests of the nation."

*

Of interest in connection with the political situation in the Philippines was a report from Manila on July 8 stating that Senor Benigno Ramos, leader of the outlawed Sakdal (radical agrarian) party, who was arrested sometime ago on a charge of illegal solicitation and conversion of political funds, had been sentenced to a term of two years, 11 months and 10 days in jail and fined 1,000 pesos. Ramos had only recently returned to the Philippines from a self-imposed exile of several months in Japan, from where he had conducted a propaganda campaign against President Quezon. Ramos recently announced his candidacy for President. Under the Commonwealth Constitution the President serves a six-year term and cannot be re-elected. A report from Manila stated, however, that Philippine Assemblymen have begun circulating a petition for submitting an amendment that would permit the re-election of President Quezon and restore the bi-cameral legislature. The amendment would require a plebiscite in order to become legal. Should the measure pass the plebiscite, a presidential election would automatically become necessary this fall.

*

Paul V. McNutt, High Commissioner of the Philippines, who returned to Washington recently in order to confer with the President, has been appointed Administrator of Federal Security, a newly-created post combining several federal departments including Social Security, Public Health and Youth Department. It was stated that Mr. McNutt probably would return to Manila for a few weeks before assuming his new post.

Senate Continues Neutrality But May Ban Arms Sales to Japan

The Foreign Relations Committee of the U. S. Senate, by the narrow vote of 12 to 11, decided to postpone Senatorial discussion of the neutrality issue until the next session of Congress. The action constituted a serious defeat for the foreign policies of President Roosevelt and Secretary of State Cordell Hull. Both indicated their disappointment at the Senate Committee's action.

As the situation stands, the present Neutrality Law continues in force, making it mandatory on the President to prohibit all shipments of arms, ammunition and implements of war, directly or indirectly to belligerent nations.

Therefore, if war should break out in Europe, the United States would be unable to continue sales of munitions to Britain and France. The House of Representatives (see *The Review* for July 8, Page 162) passed a revised neutrality measure continuing the arms embargo but excluding "war implements," otherwise trucks, airplanes and other articles. However, the Senate's action also nullifies this measure.

Senator Key Pittman, chairman of the Senate Foreign Relations Committee, announced on July 11 (*Reuters*) that he had submitted to the Committee a joint resolution empowering President Roosevelt to restrict foreign commerce with any signatory of the Nine Power Pact which discriminates against the United States. Exports to Japan which would be restricted would include arms and ammunition and implements of war, such as iron, steel, oil, petrol, scrap iron, scrap steel and scrap metals. The President would also be empowered to raise tariff duties on Japanese merchandise shipped to the United States, such as raw silk.

U. S. Senate Renews Presidential Powers to Devalue the Dollar

ENDING, at least temporarily, one of the sharpest Congressional battles of the Roosevelt Administration, the U. S. Senate on July 5 approved the Administration's new monetary bill by the close vote of 43 to 39, thereby renewing the President's power to devalue the dollar and extending the life of the Currency Stabilization Fund. The House had already passed the bill by the comfortable majority of 229 to 160.

While increasing the price of domestically-mined silver to 71.1 cents an ounce, the Senate's action has left the Treasury Department free to continue foreign silver purchases at prices and in quantities to be determined by the Treasury. The Silver Purchase Act which expired on July 1 had previously empowered the Treasury to buy foreign silver above the world market price. Henceforth, according to a statement by Secretary of Treasury Morgenthau, prices at which such purchases are made will be on a day-to-day basis, until fuller estimates of the world silver situation can be obtained.

United Press stated that for the present the Treasury does not intend to give aggressive support to the world silver price, but will maintain a moderate market. This is designed, according to the agency, to avoid drawing further large amounts of silver to the United States and also, possibly, to accelerate the Mexican oil negotiations. The Mexican peso, which slumped when President Roosevelt's monetary powers expired, remains depressed and it is believed will be unable to stage a come-back in view of the fact that the United States foreign silver purchase price remains below the previous figure now that new legislation has been passed.

Senator John Townsend, Jr. is sponsoring a bill to end purchases of foreign silver by the United States. He asserts that such purchases are "disguised loans or subsidies" to Mexico and declares that Congress must decide whether the American people really want to loan money to Mexico or any other country. Since 1933, he said, $237,000,000 worth of silver was imported by the United States from Latin America, of which $217,000,000 worth came from Mexico alone.

On July 7, the U. S. Treasury set the price for foreign silver purchases at 36⅜ cents an ounce. According to the *Wall Street Journal*, the State Department is expected, for reasons of foreign policy, to resist any further depression of the price by the Treasury.

Wang Ching-wei Comes Out Boldly for Japan as the Sino-Japanese War Enters its Third Year

THE inception of the third year of the Sino-Japanese war was marked by an open clash between the loyal supporters of the policy of resistance and the traitorous elements who advocate China's abject surrender under the guise of Sino-Japanese cooperation. While Generalissimo Chiang Kai-shek and other government leaders took the occasion of the second anniversary of the war to reaffirm their determination to continue resistance until attainment of final victory, Wang Ching-wei, dismissed Kuomintang Deputy Chief Executive, openly threw in his lot with the Japanese with the announced purposes of sabotaging China's cause of resistance, overthrowing Gen. Chiang Kai-shek and creating a new puppet regime to challenge the authority of the National Government.

It was openly predicted in foreign circles in Shanghai this week that Wang would become the chief executive of a Japanese-created and controlled puppet regime which would accept Japan's peace terms and sign a military alliance with the Japanese Army. Wang then would issue a declaration of war on Chungking and would become the "General Franco" of China. The Japanese invasion would then be converted into a "civil war," with a screen of Chinese troops sent ahead of the Japanese forces. As a matter of fact the Japanese are already doing this in their latest anti-guerrilla campaigns in the Lake Taihu district.

A Discredited Politician

Wang's emergence as a Japanese-appointed "Kuomintang" leader is generally viewed as significant development in the present politico-military situation. But few people take it very seriously. Since his flight from Chungking last December and his open collusion with the ex-Japanese premier, Prince Konoye, Wang has been a discredited man in China. Whatever prestige he once enjoyed and whatever following he once commanded in the Kuomintang and the government have been totally lost to him. Of course, it is as yet impossible to foretell what effects his present activities will have on China in her life and death struggle with Japan. One thing appears certain, that whatever he may do in the immediate future, there can be no change in the fixed national policy of continued defence of China's independence and prolonged resistance to the Japanese aggression. The National Government has survived many a Japanese political intrigue and their exploitation of another discredited political figure can only end in failure and disappointment.

Wang Takes His Stand

Wang's presence in Shanghai, which has been suspected for a considerable time, is now definitely established by his open challenge to the National Government in a radio address broadcast over a local Japanese station on Sunday night.

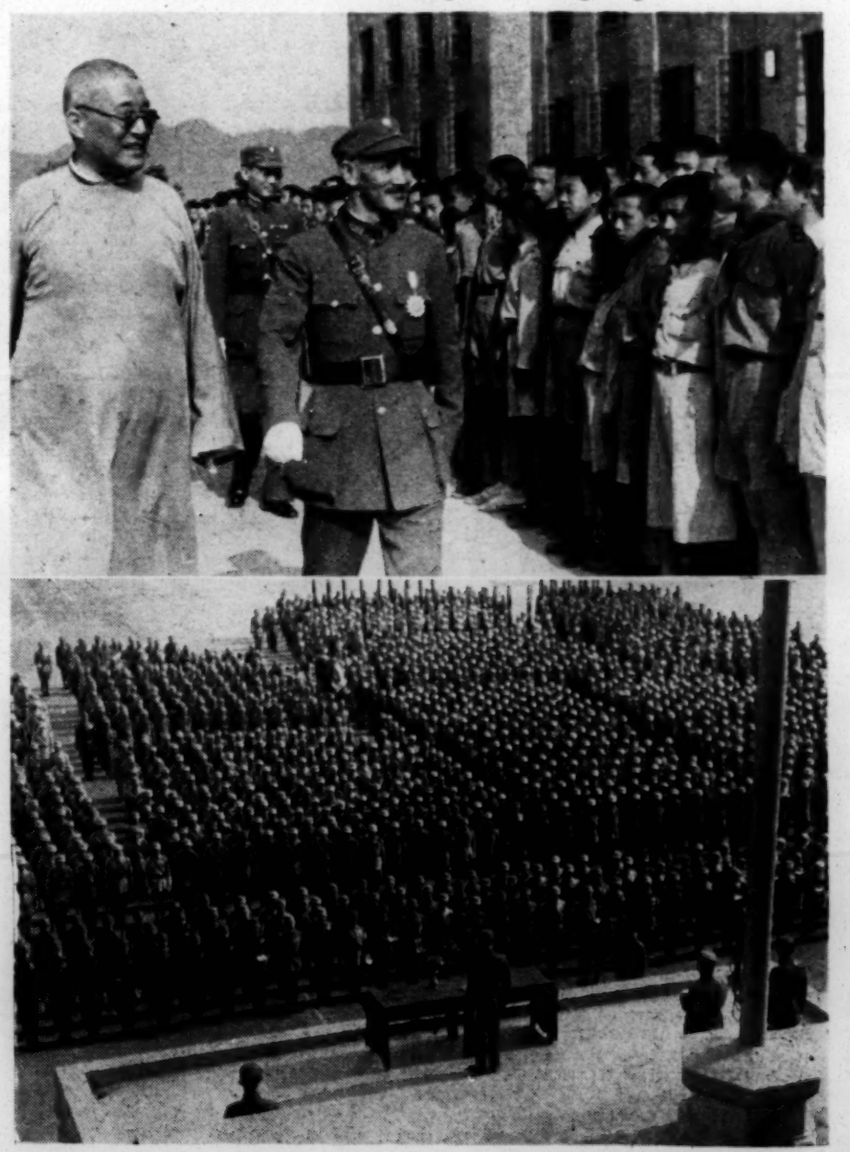
Accusing Gen. Chiang Kai-shek of leading China to destruction at the bidding of the communists, Wang called upon the Chinese people to support him in his efforts to secure Sino-Japanese peace. In the course of the speech, which was first made in Mandarin and later in Cantonese, he elaborated his views regarding the Japanese peace proposals embodying the three principles of good neighborliness, anti-communism and economic cooperation.

After giving a brief historical survey of the events following the death of Dr. Sun Yat-sen, he said that the Tsinan incident started the deterioration of Sino-Japanese relations and that China should have endeavored to restore conditions to normal. When he was foreign minister, he said, he propounded the idea that China should resist, on the one hand, and negotiate on the other. He thought that Gen. Chiang Kai-shek shared his views, but after four years, he found he was mistaken and the situation grew worse.

Under the cover of Dr. Sun Yat-sen who was alleged to have remarked that the success of the Chinese revolution would depend upon Japan's understanding, Wang attempted to justify his present anti-government and pro-Japanese activities. In his opinion, in a contest between China and Japan, China's case is hopeless. For this reason, he said, it is necessary for China to placate Japan and make her understand that a successful Chinese revolution would be advantageous to Japan.

Wang not only defended his "peace" policy, but endeavored to convince the Chinese people that Japan has no territorial ambitions in China and what she hopes for is only China's economic cooperation. He said he fully endorsed the three principles in the Konoye statement, namely, good neighborliness, anti-communism and economic cooperation, and argued that they were not a smoke-screen for Japan's ulterior matives. If Japan intends to destroy China, he asserted, all Japan has to do is to continue fighting. Apparently, Wang believes that the three Konoye principles are not only sincere in themselves, but actually for the good of China.

Generalissimo Chiang in Chungking



Photos by Thomas Kwang

The top picture, taken in Chungking on June 27, shows General Chiang Kai-shek inspecting a group of Chinese students. He was accompanied by Dr. Chang Po-ling, vice-president of the People's Political Council, seen on extreme left, and his happy smile by no means suggests a pessimistic mood. In the lower picture the newly-trained Militia Corps in Chungking is seen listening to an address by the Generalissimo on June 28.

In conclusion Wang said: "I feel that there are two courses open to us today. One is to follow Gen. Chiang with his cry of resistance to the end. But his present forces are insufficient to resist Japan as well as opposing the Communists. If we follow Gen. Chiang along this course, we shall sacrifice the entire nation and people for the sake of the Communists.

"Another course is to revive the teachings of the late Dr. Sun and to reinforce them with the realization that enmity should be dispelled and not fostered. We should try hard to treat Japan as a friend.

"Of the two courses open to us, one will destroy China and the Chinese race. The other will restore the prosperity of China and of East Asia. I have decided to follow the second route. I shall unite with persons of all parties and affiliations, as well as those without party ties but who are anxious for the fate of China, to march forward along this route."

Gets Little Publicity

Wang's statement was circulated by the Japanese *Domei* news agency to all local Chinese and foreign newspapers, but was printed in full only in two papers, the pro-Japanese *Shanghai Times* and the *Chung Hua Jih Pao*, his own mouthpiece, which resumed publication on Monday of this week after a suspension for nearly a year and a half. All the Chinese papers ignored the statement and the *Chung Hua Jih Pao* was boycotted by Shanghai newsboys.

Such a demonstration of disapproval on the part of the Chinese public in Shanghai apparently has had not the slightest effect in discouraging Wang from carrying on his activities. As revealed by Lt.-Col. Itsuo Mabuchi, director of the Japanese Army Press Bureau on Monday at a press conference, Wang is stated to be organizing an "orthodox Chinese Nationalist Party" in opposition to the National Government in Chungking. Col. Mabuchi announced that the Japanese had given approval and pledged whole-hearted support to Wang, "in his emergence as leader of the real Kuomintang."

Commenting on Wang's self-announced defection, broadcast on Sunday night, Lt.-Col. Mabuchi said that its importance lay in his advocacy of national salvation through peace and in his urging the Chinese Government and Gen. Chiang Kai-shek to change their views. He remarked, however, that it was a "little early yet" to say that Wang would supercede Wang Keh-min and Liang Hung-chih, respective heads of the Peiping and Nanking regimes, as the "senior Chinese leading the new order in East Asia."

Mabuchi's Predictions

As Wang found that he was no longer in a position to cooperate with Gen. Chiang to secure national salvation, Lt.-Col. Mabuchi continued, "he had to take sole leadership of the movement to save China. It could be assumed that as developments took place, Wang would emerge eventually as a political figure in China. Judging from his ability and career, it is to be assumed that he will soon be able to rally round himself the Chinese nation." Asked what classes of people were likely to give support to Wang, Lt.-Col. Mabuchi replied: "That question is open to discussion, as little progress has yet been made since the Sunday speech."

Finally, the Japanese officer revealed that Wang was forming a "real Kuomintang" in accordance with Dr. Sun Yat-sen's principles, as he was the logical successor to the leadership of the party following the death of Dr. Sun.

While Lt.-Col. Mabuchi refused to divulge Wang's immediate plans or reveal the source of his broadcast on Sunday night, it was reported that Wang had left Shanghai for Tsingtao to attend a meeting of puppet Nanking and Peiping officials now being held there. Considerable significance is being attached to the gathering, as it is expected that details for the establishment of a new united regime amalgamating the Peiping and Nanking administrations are likely to be discussed and decided upon. Strict secrecy is surrounding the Tsingtao deliberations, which, according to a *Domei* report, are expected to have far-reaching repercussions in East Asia.

Chiang's Three Messages

On the occasion of the second anniversary of the war, Gen. Chiang Kai-shek issued three messages, addressed to the foreign Powers, the Chinese people at home and abroad, and the Japanese nation, respectively.

In his message to the foreign Powers, which was broadcast by Madame Chiang from a radio station in Chungking, Gen. Chiang warned that Japan's intention of creating a "new order in East Asia" was an open challenge to the Powers friendly to China and aimed at the expulsion of their rights and interests from this country. Urging the Powers to apply economic sanctions against Japan, Gen. Chiang declared: "China will not conclude her resistance against Japanese aggression until Japan thoroughly abandons its policy of aggression."

He pointed out that Japan, by obtaining materials from abroad, was aided in employing brute force against China's innocent population and thus also endangered foreign property rights in China.

The combined pressure of sanctions against Japan by the Powers and China's own strength and resistance would bring about the downfall of Japan and thus protect the rights and interests in China of the Third Party nations, he said.

The Generalissimo claimed Japan has reached a point of exhaustion and that the threats of Japanese militarists "are merely empty boasts."

Appeal to Chinese

Addressing the Chinese people at home and abroad, Gen. Chiang called upon them to redouble their efforts toward the consummation of the dual task of resistance and national rebuilding. Pointing out that China is fighting for her independence and liberty and to uphold international justice, Gen. Chiang said that no obstacles should be permitted to dog her march toward the achievement of her objectives.

The Generalissimo noted with gratification the general fulfillment during the past year of most of the pre-requisites essential to winning the final victory. Internally, he said, the national will of resistance has been strengthened despite trials and tribulations. The thoughts and actions of the people have been coordinated under the guiding principles of the *San Min Chu I*. Administrative efficiency has been heightened, and public morale stiffened instead of being impaired by wanton aerial bombard-

Ambassador Johnson Feted in Chungking

Photos by Thomas Kwang

Pictures are of a reception given in Chungking recently for the American ambassador, Nelson T. Johnson, on his return from the United States. The envoy and Dr. H. H. Kung, China's finance minister are seen in the upper picture drinking a toast which the latter proposed to the future of Sino-American relations. In the picture below, at center, is Captain McHugh, U. S. military attache, who drove the car in which Ambassador Johnson travelled from Chungking to Burma on his way to the U.S.A. last year.

ment of open cities.

Internationally, the statement continued, the League of Nations has invoked Article 16 of the Covenant. Japan has been legally branded as the "aggressor." The friendly powers have increased their technical and material assistance to China.

The Military Deadlock

Militarily, the Japanese operations are in a deadlock. During the second year of the war, the Japanese advanced only 310 kilometers, whereas during the first year, they covered over 1,800 kilometers. During the past three months, the Japanese have made practically no headway on any front, despite the heavy losses suffered. According to Japanese reports, up to the end of March, Japanese casualties reached the staggering figure of over one million men.

Politically, Gen. Chiang said, Japan is equally meeting a dilemma. The Konoye cabinet fell last spring; unemployment is on the increase; commodity prices rise; gold holdings dwindle; and agrarian economy has further deteriorated. Spiritually, anti-war sentiment has been rapidly spreading. Diplomatically, Japan is faced with a dilemma vis-a-vis the Rome-Berlin military axis, unable to decide whether to join or not.

Gen. Chiang pointed out that the Konoye declaration on Dec. 22 last is the most glaring example of the sinister Japanese ambition to subjugate China. Most regrettably, certain persons have stooped so low as to respond to it favorably. "Surrender today on China's part will mean enslavement, whereas only by fighting to a conclusion and winning the final victory can aggression be halted. The kind of peace Japan wants and which traitors work for is only a traitors' peace," Gen. Chiang asserted. The greatest achievement of the Chinese people during the past year, he emphasized, was that they refused to be led astray by the traitors' propaganda and intrigues.

Concluding, Gen. Chiang admonished the people spiritually and militarily to assist in the early winning of the final victory. Spiritually, the people should consolidate national unity. Militarily, they should enthusiastically undertake military training, respond to the call for conscription and help the guerrillas to fight the enemy.

In his message to the Japanese nation, Gen. Chiang made a distinction between the Japanese people and the Japanese militarists. He called upon the Japanese people to "abandon a national policy of aggression." Explaining Chinese resisance, Gen. Chiang asked the Japanese people whether they would rise to resist if their nation were faced with a foreign invasion. He declared that the defense of one's country is a right which cannot be disputed. He also ridiculed the charge that the Chinese are going communistic, reaffirming that the *San Min Chu I* is the guiding principle of the Chinese nation.

An Idle Dream

Referring to the Japanese army's "determination" to overthrow him, General Chiang Kai-shek declared:

"This is to be expected, but I would like to have you know that it is absolutely wrong to think that by overthrowing Chiang Kai-shek, you could subjugate China. China is united. It possesses many men of ability. Now I am the supreme commander, but if another, or even hundreds of others, should take my place, future resistance will be just as resolute."

In concluding his message, General Chiang Kai-shek expressed confidence that China would win the war, pointing out that "a phenomenal rise in Chinese national spirit has been accomplished in two years which in peace time would have taken 20 years."

Gen. Chiang's leadership during the past two years has won approval and support both at home and abroad. Taking advantage of the occasion of the second anniversary of the war, the Chinese National Association of Educational and Academic Organizations dispatched a message of encouragement to the Generalissimo, paying tribute to his able leadership in prosecuting the campaign of resistance. As a token of respect to Gen. Chiang's valiant fight against aggression, a large silk banner was presented (on July 7) to him by Lord Cecil, chairman of the International Anti-Aggression Campaign, who expressed the wish for China's final victory against the Japanese. Col. Henry L. Stimson, former United States Secretary of State and now chairman of the American Committee for Non-Participation in Japanese Aggression, praised the courage of the Chinese people in a message to Gen. Chiang on July 10. "Your undaunted courage and that of your people are an inpiration to the world," Col. Stimson said. Meanwhile, the Canadian League for Peace and Democracy sent Gen. Chiang a message congratulating China on her resistance against Japan.

Messages of comfort and encouragement were sent Gen. Chiang and the rank-and-file of the National Army by Chairman Lin Sen of the National Government. Chairman Lin praised Gen. Chiang's able direction of the war and expressed appreciation of his meritorious services. To the troops at the front, Chairman Lin sent his greetings and lauded their heroic efforts in resisting the invaders.

Declaration by Kung

Dr. H. H. Kung, president of the Executive Yuan and minister of finance, in a statement on China's war finance, declared that during the past two years, China's currency had been subjected to severe tests, but had successfully withstood them all. The most significant factor in the successful management of China's war finance, according to Dr. Kung, is the maintenance of exchange. Dr. Kung expressed appreciation of the friendly assistance which the United States and Great Britain extended to China. Another outstanding feature of China's finance, Dr. Kung pointed out, is the government's anxiety to live up to its obligations. Concluding, Dr. Kung referred to the strenuous efforts which are being made to combat wartime difficulties in the development of trade, industry, mining, agriculture and communications in the Northwest and the Southwest.

In an article on China's foreign relations, Foreign Minister Wang Chung-hui stated: "If the foreign powers are to maintain the present balance of power in the Pacific and to prevent their own rights and interests from being entirely driven out of this Continent, there is no other alternative except to terminate all financial relations and completely stop commercial intercourse of every description with Japan."

China Defends Civilization

Dr. Wang pointed out that in fighting against Japanese aggression, China had been defending not only her own territorial integrity, but also the very principles upon which the security of civilization hinges. Therefore, he stated, any assistance rendered by the foreign Powers to China to overthrow the Japanese militarists, will help to stabilize conditions in the Far East and the Pacific, which can not fail to have beneficial effects in other parts of the world.

In another statement on July 10, Dr. Wang warned that third Powers should not be interested at present in mediation between China and Japan, because even if Japan and China should reach an agreement on the basis of Japanese terms, "there will always be clashes between Japan and the third Powers."

"We have an open door and we want to keep it open. The issues at stake at present involve more than just China, but also the rights and interests of third powers," Minister Wang said. He pointed out that Japan would not respect third power interests in China and urged that the "powers should adopt a joint policy to bring pressure on Japan which would force her to withdraw automatically to preserve the rights of other powers."

War Minister Optimistic

War Minister Ho Ying-ching voiced his optimism regarding the future of the war of resistance in a speech at Chungking, declaring that while Japan's strength is nearing exhaustion, that of China is steadily increasing. According to Gen. Ho, altogether 917,800 Japanese fighting men have been killed and 8,555 taken prisoner, which represents "one of China's greatest ahcievements" in this war for her national liberation. Furthremore, he added, 716 Japanese fighting planes were shot down and 644 Japanese ships sunk during the past two years of hostilities.

The Sino-Japanese war will be ended in 1941 with a victory for China, declared Gen. Chen Cheng, director of the Political Department of the Generalissimo's Headquarters. This forecast, Gen. Chen said, is not merely based on a fervent wish, but on sober observation of the events of the past two years. In 1941, Japan would be compelled to ask China for peace, he added.

"No peace without justice" was the radio answer recently given from Chungking by Belgian-born Father Lebbe to pleas of Japanese Catholic laymen that China collaborate in forming a "new order" in East Asia. A naturalized Chinese citizen, Father Lebbe is commander of a large health and rescue unit behind the Japanese lines in Shansi province. He declared that China is fighting for self-preservation, for the essential and inalienable right of existence.

Foreign Press Comment

The second anniversary of the war provided occasion for comments by many newspapers abroad. The *Manchester Guardian*, in an editorial, stated that "Japanese statesmen and generals have learned it is one thing to win battles and quite another thing to win a war." The paper pointed out that the chief danger to Japan lies in the operations of the Chinese guerrillas behind the Japanese lines. The journal quoted approvingly the remarks made by a writer in *Pacific Affairs*, who said: "One thing an over-extended Japan must fear is that guerrillas will hold out long enough to allow a new and trained army to be formed behind them. Should that day come, the 'Rising Sun' will set". A paradox of the war, the *Manchester Guardian* stated, is that while the Japanese, who so far have won all along the line, are desperately anxious to end the war, the Chinese, who have apparently lost everything, are in no hurry. Trading space for time, the paper added, the Chinese are content to wait for the victory which they believe to be inevitable in the long run.

The Soviet press devoted considerable space to comment on the relative positions of China and Japan after two years of hostilities. The magazine *Party Affairs* in Moscow wrote: "The relative positions of both sides in this war are quite clear—China fights for her national independence, and Japan for undisputed dominion over Manchuria and China. The Japanese militarists have been completely baffled in their expectations of an early and inexpensive victory in China. They planned to bring the war to a conclusion in two or three months at a cost of ten or fifteen million yen. But the war has been going on for two years and Japan has spent 12,000,000,000 yen.

Japan's Anti-British Drive Grows In Scope as Parleys Fail to Open

WHILE due to reported disagreements between the British and Japanese representatives the projected parleys in Tokyo for a settlement of the Tientsin affair had still, as *The Review* went to press, failed to get under way, the Japanese campaign against Great Britain and against British interests in China this week took on a wider scope and was extended to Formosa and Japan.

On July 10 Chinese demonstrators, egged on by the Japanese, stoned the British consular building in Tsingtao and a number of British business houses, including the branch office of the Hongkong & Shanghai Banking Corporation. British authorities on the spot protested to the Japanese authorities and the action was followed by the dispatch of the British warship H.M.S. Lowestoft to the Shantung port to protect British lives and property.

On July 11, a clash between British and Japanese forces was narrowly averted when a Japanese river patrol landed on the Bund in the British Concession in pursuit of a sampan man. The Japanese demanded that the man, charged with having illegally ferried a crowd of Chinese from the ex-Russian Concession, be given into their custody. This the British refused to do.

Shanghai Plants Fenced

Discrimination against British interests in Shanghai was seen when the Japanese a few days ago strung a barbed wire fence around British industrial plants north of Soochow Creek, allegedly to prevent undesirables from filtering into the Badlands area to the west of the city by crossing the Creek. The three plants affected are the China Car & Foundry Company, the Sung Sing Cotton Mill and the Chung Dah Cotton Mill. Investigation showed that the Japanese mills in the vicinity were free of any barbed wire fencing. The Japanese had not replied to a British protest at press time.

The Tokyo City Assembly, according to a *Domei* report on July 7, decided to form an Anti-British League of Tokyo Citizens with itself as the nucleus. A mass meeting under the League's auspices was scheduled for July 14. From Taihoku, Formosa, came a report from the same source stating that an anti-British movement was being sponsored by the newly-formed Anti-British Volunteers' Society and that 30,000 persons had attended the first mass meeting.

Craigie Said Protected

At the same time, the movement was getting under way in Japan proper, with Anglophobic "rallies" being held in such cities as Tokyo, Kobe and Morioka. A *Transocean* report from London quoted the *Daily Mail* as saying that the British Ambassador in Tokyo, Sir Robert L. Craigie, was being guarded day and night by Japanese police, at the request of Foreign Minister Hachiro Arita, who feared that anti-British feeling might lead to serious incidents in which even the person of the British envoy might not be respected.

The blockade of the British Concession in Tientsin meanwhile continues with full rigor. In an interview with the semi-official German D.N.B. agency, Mr. Shigenori Tashiro, Japanese consul-general in that city, declared that Japan would blockade the British Concession for two years if necessary. Ten thousand Japanese residents of Tientsin held an anti-British mass meeting on July 7 in connection with the second anniversary of the hostilities with China, *Domei*, reported. A number of Italian soldiers took part in the demonstration, the agency said.

While the projected Anglo-Japanese conference on Tientsin has failed to open, the Japanese press has been keeping up a perpetual barrage of abuse against Britain and the British. The abuse was mixed with braggadocio when the *Nichi-Nichi* chain of newspapers on July 11 taunted Britain with being unable to act effectively against Japan, especially in view of the European situation.

Japan's Price Restated

Japan's price for lifting the Tientsin blockade has been restated by army and navy officials and by the press. The Japanese authorities, both civil and military, have, according to *Domei*, reached complete agreement in this matter. They will not agree to any "patched-up" agreement which would result from treating the Tientsin blockade as a local issue, nor will they agree to lift the blockade as a prerequisite to the opening of negotiations for a settlement. Instead, Britain must agree fundamentally to revise her Far Eastern policy and above all "cease aiding the Chiang Kai-shek regime" in China.

The matter was put succinctly by Baron Kiichiro Hiranuma, the Premier, on July 6, in a statement with reference to the second anniversary of the Sino-Japanese hostilities. Japan, he declared, "cannot cooperate with any Power opposed to the establishment of a new order in East Asia." The Anglo-Japanese parleys in Tokyo, he added, might have to be cut short unless Britain appreciated the real intentions of Japan.

Plan Attack on Singapore ?

The Tokyo paper, *Yomiuri Shimbun*, made the sensational statement this week that the Japanese General Staff has already planned an attack on Singapore in the event of an Anglo-Japanese war. According to the paper, Japan would have little difficulty in occupying Hongkong, and the British navy, unable to defend the Colony, would withdraw to Singapore. But Japan, attacking with her air force and submarines, would likewise have no difficulty in taking the Malay peninsula and Britain's loss of Singapore would mean the complete breakdown of British defenses in the Far East. Tension in Europe would immobilize most of the British fleet, thus rendering Japan's task of capturing Singapore that much easier, the paper said.

Sino-Japanese "Friendship" at Tsingtao

Several weeks ago, when the Japanese Army was planning its anti-British boycott, the Japanese military authorities at Tsingtao notified all Chinese businessmen and bankers that their wives would be required to join a Japanese-Chinese Women's Friendship Society. When the Chinese women went to the place where the meeting was held they were surprised to find a large number of Japanese Army officers on hand who took charge of the meeting—and had themselves photographed in the front row. About a dozen Chinese women who attended the meeting are in the center row, with the Japanese women occupying the back row. With the exception of two women at the left, the entire front row is occupied by Japanese army and navy officers and Japanese officials at Tsingtao.

Chinese in Southern Pacific Uphold Prestige of Race

BY MARC T. GREENE.

YEAR by year Chinese trade prestige and commercial strength increases throughout the southern Pacific, from Australia and New Zealand to all the islands. This increase is founded on orderly and industrial living and honest dealing with customers, whether those customers are Tasmanians or Tahitians. And in their very general prosperity these Chinese expatriates are far from forgetting the home country in her day of tribulation. According to their means, in many cases a good deal beyond them indeed, they are contributing to the struggle to crush the tyrant, and often much of the hard-earned savings of years has gone in a lump to the need of the homeland.

There are probably 50,000 Chinese in the two Dominions and the islands below the Line between New Guinea and Tahiti. There may be more. I haven't the figures even if any exist. But it is surely so many. The largest number are, of course, in Australia, 20,000 or so. In New Zealand are seven or eight thousand, and there are many in Australian and New Zealand colonies and mandates, in French New Caledonia, the French eastern Pacific possessions, Fiji and the Tonga Group. There are few inhabited isles and atolls in all the south seas which have not at least one Chinese shop and you find them in the most remote places.

1,900 Chinese in Fiji

Here in Fiji, of course, East Indians are predominant. There are now more than 100,000 and the number is steadily increasing, whereas the Fijians, a trifle larger in numbers yet, are slowly going the other way like most of the other South Seas native peoples. Of Chinese there are in Fiji about 1,900, according to the very intelligent and agreealbe young Chinese Consul in Suva. They are not employed in the fields or on agriculture but are mainly shopkeepers, laundrymen and fruit and garden-vegetable growers, as in New Zealand.

The latter is, as a matter of fact, almost dependant upon Chinese for vegetables. It is commonly said that were it not for the Chinese the people of New Zealand's cities would suffer a vegetable famine. Industrious, hard-laboring and orderly, the Chinese of the Dominion till far-reaching fields in every part systemtically and with rich results. They send their produce to the city markets in big trucks and work together without friction.

Gone, fortunately, are the days when "John Chinaman" in Both Australia and New Zealand was the object of jest and ridicule and often serious annoyance by the rowdy element of these countries. To raid a Chinese orchard or throw a stone through a laundry window was considered excellent sport. The Asiatic was the butt and he had to stand it.

Equality of Treatment

Through a good many years of this sort of thing he plodded imperturbably along, enduring much, working long hours, living so frugally as to arouse the wonder of the Europeans about him. He concentrated, with that power of single-mindedness altogether beyond the European's understanding, on the objective, not only of establishing himself in security economically, but of living in such a way as bye and bye to command the respect that should ensure him freedom from annoyance and equality of treatment in lands that prided themselves on their democracy.

That objective has been reached and that day has come. Few people make any trade distinctions againts the Chinese any more and they enjoy a practical commercial equality. Even socially the old stupid bars and prejudices show definite signs of weakening. The Chinese is coming into his own and no fair-minded man can say he doesn't deserve it.

In New Zealand the Chinese do a thriving business in fruit. Shops of this sort owned by Europeans are becoming very rare. In Auckland alone are probably fifty Chinese fruit and vegetable stores. Up and down the city's main thoroughfare. Queen Street, you find at least a dozen. Yet there is not, as you mighe expect, any apparent ill-feeling between them and the few remaining European stores. The Chinese is now accepted as a legitimate and respected trade competitor rather than a usurper of alien race.

Certainly there is no other explanation of this honesty and industry in trade and orderliness and decency in private life. No one even hears of a Chinese in New Zealand mixed up in crime, drunk or otherwise affronting the moral code of a land that is now giving him in every way a square deal. Now and then the police find one with a bit of opium, it is true, smuggled in by somebody on a vessel from the Orient. But that is about the only time a Chinese gets into the newspapers down here in an unfavorable light.

In Suva one of the largest trading firms is now Chinese and there are many smaller shops. The Chinese are, in fact much better off than the Indians or the natives. The former are invery bad case economically. This condition has been pretty well concealed up to now, but it is beginning to get some publicity since the visit here of a leading Indian Nationalist who has disclosed to newspapers in other places, especially in Honolulu, something of the position.

Sugar Barony Rules

Fiji today is, in effect, a kind of sugar barony. A great company, mostly Australian-owned, is exploiting the Indian peoples along characteristic British-in-India and Dutch-in-Java lines, and it exercises a great influence over the government of the Crown Colony. More than 70,000 Indians are directly dependent upon the sugar company or their existence. Most of them work for it on the tenant-farmer system. They grow the cane and sell it to the company, existing the while in wretched little tin shacks for which they pay the company a small annual rental. The farms are of ten acres and there is one family to each. Sometimes only two people, husband and wife, must work them. In other cases there may be two or three children old enough to help.

It is wearing labor in any case, and through the sysetm of sale of cane the average earnings of each family are $3.50 a week. The company holds the workers under all kinds of harshly repressive restrictions. They may grow but two crops whereas in Hawaii they may grow a dozen. They may not plant any vegetables of their own on their bits of land not used for the cane. They have no representatives at the weighing and judging of the quality of their sugar. They are completely at the mercy of the sugar barony, and so in large measure is the rest of the community.

The colonial government is an absolute autocracy. The Governor-General, who is also High Commissioner over all English (as distinguished from Australia and New Zealand) possessions in the western Pacific, has what is called a Legislative Council a group of 31 yes-men, docile as Hitlers', with the single exception of the two elected Indian members. There are also two European and two Fijians elected. All the others, including three European, three Fijians and three Indian members and the sixteen officials of the government, are named by the Governor-General himself. His word is final in every respect, and an executive bold enough to defy the sugar barony or desirous of doing so hasn't appeared in Fiji yet.

Chinese Are Best Off

However, all this troubles the Chinese little. They are, except in the matter of taxes, about the best off of anybody in the whole Colony. Taxes are high and they of course pay them like the rest. Just now the Colonial Government, having accumulated considerable surplus during the flush years before the depression, is engaged in an orgy of spending. But the spending is doing little good to the community generally, because it is not going for public services. An enormous new government building, twice as large even as any in Honolulu, is nearly completed. It will cost more than a million and a quarter dollars and is needed about as much as a moving-picture house on the Spratley Islands. But it is a fine gesture and enables the government to point with pride to Fiji's prosperity. It also enables the sugar barony to explanin that all this prosperity is based on sugar.

Meanwhile the Chinese go imperturbably on as usual, saying nothing, paying their taxes, trading honestly, behaving themselves decently—and getting their own regular radio reports as to the progress of the war in China, for whose cost they are paying their share.

Suva, Fijis, June 2, 1939

Syria Comes Under Dictatorial Rule

Ignoring the promise of complete independence for Syria which was embodied in the French-Syrian treaty of 1936, the French Government this week clamped down a rigid dictatorship on the country by according practically unlimited powers to High Commissioner Gabriel Puaux. The latter immediately issued a decree dissolving the Syrian parliament and suspending all articles in the Constitution which have hitherto given legislative and executive rights to the Syrians. To administer the country, he appointed a directorate consisting of heads of the various government departments.

In a broadcast address, *Transocean* reported, M. Puaux declared that the French Government desired to leave no doubt that France intended to hold her positions in the Orient for a long time to come.

Syria came under former French control by League of Nations mandate after the last World War. Since that time, the Syrians have demanded their independence, the agitation eventually producing the French-Syrian treaty of 1936, under which independence was promised this year. Recently, when it was intimated that France did not intend to implement the treaty, agitation was revived. France's reply is the imposition of a dictatorship.

White Russian Tools of Japan Play Game of China's Ravishers in North

BY RUSSIAN EMIGRANT

ACCORDING to telegraphic dispatches there was held in Tientsin, on June 25, a parade of Russian army people, so-called volunteers. They assembled in the ex-German Concession and listened to speeches by their chiefs—the president of the Anti-Communist Committee in North China, Pastukhin, Ataman Semenov, and a certain Japanese officer. At the same time, the press pointed out the strong anti-British stand taken by the newspaper *Restoration of Asia*, edited in the Russian language in Tientsin.

These events described in telegrams sent all over the world, are really nothing new. Such happenings in Tientsin and in Harbin are as much alike as drops of water—the Japanese do not worry themselves with thinking out something new. The events in Tientsin, however, may serve as an example to Shanghai.

According to *Domei*, at the head of the movement in Tientsin is a certain Pastukhin, "Lieutenant-General of the Tzarist army." This is a definite exaggeration. Pastukhin was born in Blagoveschensk, where he graduated from high-school at the time of the Great War, as the Russian press reported. Later on he entered the Kiev University and because of his socialistic and revolutionary activities against the Tszar's Government, was arrested, being freed only at the beginning of the revolution in 1917.

At the time of the Russian civil war Pastukhin was in Ataman Semenov's cossack army, and appeared in the same town of Blagoveschensk, where he used his power to his own advantage. The Russian newspapers alleged at one time that he had raped a certain woman. With great pains the story was suppressed owing to Pastukhin's connections with the high White Russian authorities of the city.

In 1924-25 Pastukhin appeared in the Russian force of the Chinese General Chang Tsung-chang, governor of Shantung, as a cossack adjutant of Bichkov's troop. But he was discharged as a result of his drinking and fights with the cossacks. Then he embarked on a journalistic career, working for the *Shanghai Zaria* and *Our Zaria* in Tientsin; but the rank of "Lieutenant-General of the Tzar's Army" Pastukhin could never have had.

In Tientsin, his career as editor of the Japanese newspaper *Restoration of Asia* began. This newspaper was published in the Japanese Concession on Suma Street. It was the first sign of the new era, of the "positive policies" of Japan on the Continent as regards the Russians. In the first issue of this paper, which came out in 1931, the ex-head of the Chinese Eastern Railway, creator of the Russian colony in Manchuria, Lieutenant-General Horvath, was severely criticized. Pastukhin accused him of all the mortal sins, and particularly of espionage on behalf of foreign powers. It must be noted that in 1931, General Horvath was considered the head of the Russian emigres and many emigrants' organizations were under his control. He enjoyed great authority and respect, but after the articles of Pastukhin, the Japanese began to arrest Horvath's representatives in emigration; thus Captain M. A. Mikhailov, who recently died in Mukden, was arrested and severely tortured.

The policy of Pastukhin, in his Japanese Russian-language newspaper, was to pour dirt on all Russians who enjoyed any authority. In this policy, as in all Japanese policy, there was nothing new. The Japanese newspaper *Harbin Times* in Harbin, which was opened a little later than the

Leading White Russian Tools of the Japanese Militarists

Press Union photo

Pictured here are "Lieutenant-General" Pastukhin (second from left), president of the Anti-Communist Committee in North China, headquarters of which are in Tientsin. His activities as a tool of the Japanese Army are described in the accompanying article. Next to him, in the white suit, is the Ataman Semenov, another tool of the Japanese, who for many years resided in Dairen, maintaining in Manchuria a military organization of White Russians which Japan expects to employ at some time in a war against Soviet Russia. Semenov is notorious for the abominable atrocities committed under his orders in Siberia during the civil war and inter-allied intervention which followed the Bolshevik Revolution. In the picture they are seen being entertained by their Japanese masters. Note the champagne bottle at the left.

Restoration of Asia, also began to humiliate Horvath, also the ex-Governor-General of the Amur Territory, N. L. Gondatti, and old members of the Chinese Eastern Railway —Skidelsky and others. This newspaper even accused the Orthodox Bishop Meleti of trading in forbidden goods. The famous Russian painter Rerikh, who visited Harbin in 1934, was attacked by the *Harbin Times* as a Freemason and was accused of eating the bodies of dead children. The editor of the *Harbin Times* was an old correspondent of *Zaria*, B. P. Shilov.

In consequence of all the articles published in the *Harbin Times*, Mr. Gondatti had a stroke. The Japanese administration in Harbin made use of all the published charges and confiscated the land which belonged to him. They tried to take his house, and did not arrest him only because this old politician of the Russian Empire had one of the highest decorations of the Japanese Empire, with the personal signature of the Emperor Meiji. Also as a result of articles published in the *Harbin Times*, the director of the French Bank, N. D. Buyanovsky, hanged himself in 1935 in Harbin.

Pastukhin Rides High

After Harbin was taken over by the Japanese and their employees, (February, 1932), events developed faster. Pastukhin in Tientsin continued his hideous business by means of newspaper calumny until 1937, when the Japanese took the city. Then his position changed. Instead of being an unnoticed journalist, he became really powerful.

Long before the Japanese influence in Tientsin, Pastukhin and his Japanese friends tried to push him forward to control over the Russian colony, but they failed. All those accusing articles against the old and honorable Russians in the Far East were written in order to diminish their authority and to prepare positions for the Japanese proteges. In 1935-6 Pastukhin tried to create in Tientsin the Japano-Russian Society, which would control all the Russian organizations, but in view of the comparatively free regime at that time he met strong resistance.

In this attempt to organize such a society in Tientsin two Japanese, Messrs. Fukuda and Abe, took part, addressing the public through *Restoration of Asia*. In a letter to the newspaper on March 28, 1936, they declared that Russo-Japanese cooperation would be the beginning of the organization of governmental order in Russia. A committee consisting of Russian emigrants and Japanese was formed. This clearly provocative nonsense moved the more active part of the Russian colony to write an open letter which was circulated among the Russians. In this letter the group of Russians asked Messrs. Fukuda and Abe about the principles of the "governmental outlines" for Russia. "Do the reverend Japanese initiators of cooperation realize that Russia is the Great Pacific Power, to which all the Continent, from the Bering Strait to the Posiet Gulf, belongs and will belong?" But this and the like difficult questions Messrs. Abe and Fukuda could not answer. The organization failed, and White Russian opposition to the Japanese steadily increased.

Propaganda for Japan

Even before the arrival of the Japanese in Tientsin, Pastukhin used his newspaper to make clear his views. He wrote for instance, that "The Russian nation has 75% Asiatic blood," and that Russians "must go parallel ways with Asia, which is led by Nippon." (As is known, the Japanese have forbidden the Russians in Harbin and Tientsin to call Japan by its common name abroad. They must call it "Nippon"). "On the world arena," wrote Pastukhin further, "the colored nations are coming out in the front lines. The colored races are winning everywhere over the white nations."

For Mr. Pastukhin new possibilities were opened after the Japanese occupation of North China in 1937. The Russians remaining in North China were harshly ruled and nobody could protest; the Japanese are convinced that they are direct descendants of the Sun Goddess, "Amaterasu Kami," and do not tolerate any opposition, for they consider it an insult to their divine origin and send such obstinate sinners to "hell," which is under the control of the Japanese gandarmerie.

There has been organized in Tientsin an Anti-Communist Committee, which recognizes every Russian emigrant as an emigrant only if he is opposed to communism. Only these emigrants can get passports and visas and live comparatively freely. Only they can get jobs, and they have to promise that they will pay monthly a certain percentage of their salary to the Anti-Communist Committee. Those Russians who are not registered are not considered emigrants, but suspicious characters.

'Confessions' a la Moscow

Cruel actions of this Anti-Communist Committee are well known; in *Restoration of Asia* every day repentances of emigrants are published, in which the writers swear in the name of God to have nothing in common with the Soviet Union and to hate it to depth of their souls. Orders of the Anti-Communist Committee are also published in this newspaper. One read:

"Every Emigrant registered with the Committee has no right to speak to, or conduct any business transactions with any Soviet citizen; he shall not rent rooms from Soviet citizens or give rooms for rent to Soviet citizens."

What is the reaction of the emigrants in Tientsin? There is a great number who

(Continued on page 212)

White Russians Play Japan's Anti-British Game

Press Union photos

In the upper view, White Russian "volunteers" are seen parading along Woodrow Wilson Street in Tientsin. Below, their compatriots in Tsingtao are participating in a recent Japanese-organized anti-British demonstration in that city. The Chinese inscription on the main banner reads: "Down With Tyrannical Britain, who Aids Chiang Kai-shek.—Tokoda Cotton Mill Workers."

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Kulangsu	*LOYANG*	Yaan	*Hengyang*
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China's War Finance and Foreign Interests

BY DR. H. H. KUNG (孔祥熙)
Minister of Finance

THE expectations of those who, at the outbreak of the present Sino-Japanese hostilities, predicted the early collapse of China's finances as well as of her army, have been sadly disappointed. To-day, after two full years of strenuous war operations, China's financial structure remains intact, with facts pointing to continued ability to stand the strain.

Admittedly the financial problems confronting war-time China are as enormous as they are many. But there are reasons why China's financial ability to endure a protracted war is greater than the enemy has conjectured.

During the few years preceding the war, China had by careful planning and persistent efforts greatly strengthened the foundation of her financial and economic structure. This significant progress has enabled her to enforce measures required to combat war-time financial difficulties and to reinforce the national economy essential to a war of attrition.

The people's progress toward political unification, coupled with their new-born patriotism and loyal support of the Government's declared policy, has further strengthened the Government's hand in managing the nation's war-time finance.

China's Economy Less Vulnerable

The relatively simple pattern of China's economic life, which is essentially agricultural and self-sufficient in many respects, is less vulnerable to the unsettling effects of a major war than is Japan's highly industrialized system.

China's vast hinterland, rich in man-power and natural resources, together with the remarkable power of endurance and recuperation which characterizes the Chinese race, has enabled the Government to erect therein a strong base for national resistance and reconstruction and to adopt a policy of playing for time.

Last but not least, spontaneous world-wide sympathy for China's just cause and growing realization that Japan's policy of lawlessness and aggression is as much a real menace to the economic interests and political security of third-party Powers as it is to China's freedom and independence, is an important factor which operates and will, I believe, continue to operate in favor of China's financial stability. The recent financial and economic assistance which America, France, Great Britain, Russia and other countries have extended to China presents a striking contrast to the fact that in the world's financial capitals the doors of borrowing are closed to Japan. It is in itself an eloquent testimony of confidence abroad in China's financial future.

Maintenance of Exchange

A most significant factor in the successful management of China's war finance, likewise of importance to foreign business interests, is the maintenance of exchange. Like any country at war, China has had to meet certain currency difficulties which are the necessary adjuncts of warfare, and has found it necessary to permit adjustment to economic and trade conditions. Nevertheless, thanks to the strong foundation laid in the Currency Reform of November 1935, she has been able to maintain the exchange stability of her currency to a degree generally regarded as remarkable. She has also combatted with notable success the sinister schemes of the Japanese and their sponsored puppet regimes to undermine the currency. Throughout the period of hostilities, China has maintained both in "occupied" and unoccupied areas an acceptable medium of exchange which has consistently been demanded by the people in preference to the issues which the Japanese and their puppets have attempted to circulate, and which has the great advantage of free convertibility into foreign currency.

The surprise of the past two years' operations is not that China's currency has been subjected to severe tests but that it has withstood so well the enormous strains imposed upon it by the hostilities and the enemy's onslaught. Little wonder that such a creditable showing has inspired confidence both at home and abroad in China's financial outlook.

Appreciation must be recorded of the friendly assistance which the United States and Great Britain have extended to China in this connection. The former by its arrangements for silver purchases from China and for the U.S.$25,000,000 credit from the Export-Import Bank last December, and the latter by extending export credits to China and by cooperating with Chinese banks in the creation of a joint Currency Stabilization Fund of £10,000,000, have both rendered material help in the smooth operation of China's currency policy, while at the same time benefiting their own economic interests in the Far East.

Another outstanding feature of China's war finance that is of importance to foreign interests is the Government's scrupulous anxiety to live up to China's obligations. No better evidence of China's honorable record could be furnished than her courageous and conscientious efforts in recent years to adjust the mess of defaulted debts inherited from the former Peking regime, at a time when the world's financial markets were not infrequently upset by defaults, moratoria and downright repudiations of national debts.

China's Credit Maintained

China's determination to uphold her credit has been such that, for well over a year following the outbreak of the present hostilities, she continued to meet her debt service fully and regularly. Maintenance of debt service, in spite of the enormous urgent demands on the national treasury for war expenses and enforced readjustment of the country's financial and economic life as a result of the hostilities, explains why China's credit in both foreign and domestic markets remains intact. That it imposed great hardships on the Government and people to keep on paying cannot be doubted. But without seizing upon some pretext for declaring a general moratorium, China girded her financial loins and paid.

For the first 21 months of the war, China paid out not less than $530,000,000 for the services of external and internal obligations. This performance is all the more remarkable in view of the Japanese interference with the lion's share of the customs and salt revenues,—the two principal securities for China's obligations,—and of their attempts to disrupt China's currency structure. Between July 1937 and December 1938, the Government advanced for the service of customs-secured obligations alone a total of $175,000,000 from other sources in order to make up for the funds that should have been remitted from areas under Japanese occupation.

As a result of Japanese occupation of salt-producing areas and routes of communication and the seizure of salt revenue offices, particularly in Hopei and Shantung, China felt compelled last September to suspend temporarily the amortization payments then due on the Crisp and Anglo-French loans. Moreover, in view of the forcible detention by the Japanese of the customs revenue in the war zones despite their assurances, and despite all efforts to induce them to allow remittances in respect of all China's obligations that were secured thereon at the time of the outbreak of hostilities, the Chinese Government was very reluctantly forced on January 15 of this year to take remedial action. As from that date, the Ministry of Finance declined to make further advances to the Inspector-General of Customs and instructed him to open special accounts in the Central Bank of China in which periodically are deposited a share of the long-term debt service proportionate to the collections in areas not subject to Japanese interference. For similar reasons, the Government on March 26 took action in relation to the salt loans similar to the arrangements concerning customs loans.

Safeguarding Bondholders Interests

It is gratifying to note that these temporary measures, adopted by force of circumstances, have been received in the financial markets with sympathy and understanding. At the same time, the Chinese Government has been concerned to continue its debt service despite the unprecedented difficulties of the war. As announced on March 26, it has initiated negotiations with a view to arriving at a reasonable arrangement to maintain China's debt service as far as practicable, and it hopes that these negotiations will soon be brought to a satisfactory conclusion, to the end that the interests of China's bondholders may be safeguarded.

Amidst the more spectacular developments at the front, foreign friends should be interested to note the rapid and large-scale economic development that is forging ahead in the rear. Strenuous efforts are being made to combat war-time difficulties in the normal development of trade, industry, mining, agriculture and communications, not only for the immediate necessity of prosecuting the war but also to build up a new economic empire in China's vast hinterland, the Northwest and Southwest. This significant progress has acquired a momentum that is fast remaking the hitherto undeveloped interior provinces and is carrying the country along in spite of difficulties. It is an undertaking in reconstruction the economic possibilities of which are of immense importance to foreign and Chinese interests alike.

Development of China

In carrying out this vast program of economic development simultaneously with armed resistance, the Chinese Government continues to welcome the financial and technical assistance of friendly Powers. The principle of "international development of China," so wisely laid down by the Father of the Chinese Republic, the late Dr. Sun Yat-sen, remains and will remain the watchword of China's policy in national reconstruction. China appreciates foreign cooperation not only in maintaining her financial stability in wartime but even more in tackling the still greater problems of economic rehabilitation that will follow in the wake of the hostilities.

At the same time, Western Powers can no longer ignore the fact that Japan's undisguised acts of lawlessness and international brigandage in the present Far Eastern conflict constitute a real and serious menace to their own vital political and economic interests. They must fully grasp the far-reaching international significance of these acts, namely, that clearly it is Japan's

set policy to seek the conquest of China as a stepping-stone toward attempting to realize her lustful ambition of achieving the mastery of Asia, hegemony in the Pacific and eventual domination over the world.

Question Posed—Japan's Answer

Aside from the supreme issues of world peace and democracy involved in such a policy, the question may be asked: Can the future of foreign rights and interests be guaranteed by a lawless, aggressive, militarist Japan who, if she should succeed in her present ambitious adventure, would control China's vast man-power and natural resources and be further strengthened to dominate all Western influence and interests in the Far East, or will it be better safeguarded and promoted by a new China that will emerge from her present struggle orderly, progressive, peace-loving and anxious to cooperate with friendly Powers in her development for the common benefit of the world and of her own people?

To those who have, during the past two years of hostilities, witnessed their vital rights and interests trampled on, discriminated against and destroyed with impunity by the invading hordes in China, the question answers itself.

Financial War Sinews Belong to Democracies

The tremendous financial superiority of Britain and France over Germany and Italy was demonstrated in figures released in Washington July 6 by the Federal Reserve Board. British and French gold reserves total about US$6,215,000,000 as compared with only $222,000,000 held by the Axis Powers, the report revealed.

Britain and France, the report disclosed, are building up substantial gold stocks in Canada, South Africa and British India. These stocks outside England and France totalled $395,000,000 at the end of March, the report said.

British gold holdings were reported at $3,449,000,000, France, $2,766,000,000, the United States, over $16,100,000,000, Germany, $29,000,000, Italy, $193,000,000 and Japan, $164,000,000.

Gold mine output last year was estimated at $1,116,983,000, almost three times the output of 1929.

Truckloads of Nippon Dead Seen in Canton

A reliable eye-witness in Canton told *Reuter* on July 7 that he had seen at least 10 lorry-loads of Japanese dead coming into the city from a westerly direction. This apparently confirms earlier reports of Sino-Japanese clashes in the area northwest of Canton.

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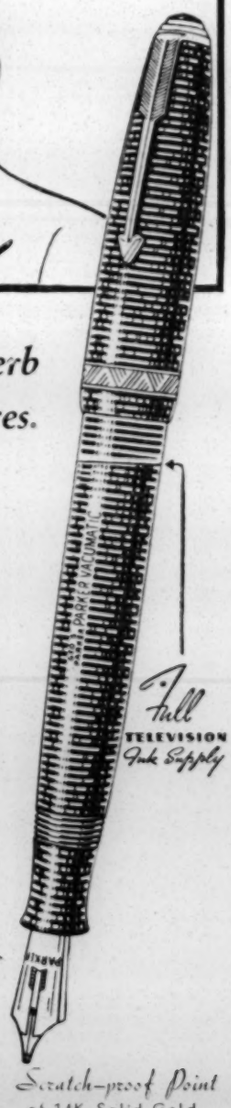

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War Losses of Chinese Industry in Shanghai Estimated at $155,000,000

(China Information Committee)

THE losses of Chinese factories in Shanghai and its immediate vicinity from the commencement of hostilities in that city on August 13, 1937 up to March, 1939, totalled $155,764,000, according to a report of the Kincheng Banking Corporation, a Chinese bank in Shanghai. Of the total sum, $85,484,000 represents material damages as a direct result of the three-month military operations, while the remaining $70,280,000 is the aggregate capital of 47 native industrial plants which have been seized by the Japanese since the transfer of the scene of fighting from that metropolis in November, 1937. When the complete figures are in, the losses of Chinese industrial establishments, it is believed, will reach an even larger total.

The picture of Shanghai as an industrial center as drawn by these special investigators is very gloomy, and indicates a general decline in production capacity so great that it will take years, possibly decades, before the city can regain its pre-war status. Before the war there were in Shanghai, outside the two foreign concessions, one electricity and water company, two water works and five power plants, all Chinese-owned. Six of these eight public utility concerns operated in Chapei, Nantao and Pootung, with an aggregate capital of $20,090,000. After the withdrawal of Chinese forces from Shanghai in November, 1937, all eight fell into Japanese hands. The five Chinese bus companies whose fleets used to ply the highways linking Shanghai with the hinterland were similarly taken over by Japanese interests last November. Their total capital was $1,225,000.

Cotton Mills Seized

Prior to the hostilities, there were 31 Chinese cotton mills in Shanghai possessing 1,114,408 spindles. Many of them were located in Pootung and Chapei and suffered serious damages. Twelve of these mills, capitalized at $22,000,000, whose spindles totalled 455,136, or 40.8 percent of the pre-war number of Chinese spindles in Shanghai, have been seized by the Japanese. Today there are in operation in Shanghai only 446,217 Chinese spindles, of which 64,360 are newly installed. There has been a decline of 59.20 percent in the pre-war number of Chinese spindles there.

On the eve of the Shanghai war in August, 1937, there were 12 Chinese flour mills in that metropolis. In the absence of later figures, it may be mentioned that their combined production in 1935 totalled 31,173,934 sacks of flour, or 42 per cent of China's total flour output. The three-month war inflicted on them a damage of more than $800,000. Today only six of them are operating. Five others, being located in Japanese-occupied districts, are still locked out. The twelfth one, capitalized at $300,000, has been seized by the Japanese.

Fate of Tobacco Plants

There were altogether 31 Chinese tobacco companies in Shanghai before the hostilities. They had a total capital of $18,000,000, and 346 cigarette-rolling machines. Now only 19 of them are in operation, possessing 85 cigarette-rolling machines as against 346 before the war. One tobacco factory has been seized by the Japanese.

The only Chinese cement works in Shanghai, the Shanghai Portland Cement Company at Lunghwa, was spared from destruction during the hostilities but has since been seized by the Japanese.

In pre-war Shanghai there were 44 Chinese silk filatures equipped with 10,326 reeling machines, capable of producing 50,000 piculs of raw silk a year. As most of these filatures were in Chapei, where the fighting first broke out, the damage to the industry as a whole was extremely severe. It amounted to more than $20,000,000. Thirty were completely destroyed, while three others were partly demolished. This left only 11, possessing 2,562 reeling machines among them intact. At present there are 26 Chinese silk filatures operating in Shanghai, including several new ones established since the war. The total number of reeling machines is 4,986, which is only 48 per cent of what the Chinese filatures had before the hostilities.

The 427 Chinese silk weaving plants in Shanghai before August 13, 1937, had approximately 7,000 looms, producing 160,000 bolts of silk every year. Only 195 of these plants have resumed operations. There are today 277 Chinese silk weaving factories, including 82 new ones, in Shanghai, with 4,318 looms. They possess 61.60 per cent of the pre-war number of Chinese looms.

Shipyards Destroyed

The 18 Chinese ship-building companies in Shanghai, which did a thriving business before the war, sustained a loss of more than $16,000,000. Situated on both sides of the Whangpoo River, many were shelled or bombed during the hostilities, after which machines in those still remaining intact were systematically removed by the Japanese. Today, with the exception of one now operating under foreign flag, all have been seized by the Japanese military and Japanese shipping companies.

There were in the same city more than 210 Chinese factories, large and small, manufacturing cells, electric lamps, irons, fans, radio sets, torches and generators. Today only a number of small ones have resumed operations, while the larger ones, being located in the Japanese-controlled areas, remain closed.

Of the 22 Chinese can-making factories, in pre-war Shanghai, only six are operating at present. Chinese enamelware factories in Shanghai fared no better. Altogether they suffered $1,000,000 in losses. Today only four of them are working.

The war losses of the Chinese chemical industry in Shanghai were also heavy, approximating $6,000,000. Before the hostilities there were 120 Chinese chemical works producing toilet articles, medicines, alcohol and other supplies. Today only a small fraction of these factories have resumed operations, while two of those within the sphere of Japanese military occupation have been seized and placed under the management of Japanese firms, and many others are still closed.

Not mentioning those with a capital of less than $50,000, there were 27 large Chinese printing establishments in Shanghai before the war. Today, only 14 of these 27 printing houses have resumed business.

2,000 Hongkong Printers Strike; Papers Don't Appear

Three Chinese-language newspapers in Hongkong failed to appear on July 11, while others were published smaller in size than usual due to a sit-down strike of 2,000 printers. Unable to appear were the *Shun Pao*, the *Chung Hwa Sze Pao* and the *Wa Kiu Yat Pao*. The strikers demand shorter work hours and the payment of overtime wages.

White Russian Tools

(Continued from page 208)

do not register with the Committee and are living in the concessions, not being able for years to go outside their borders.

The Committee has organized the "White House," where lectures full of false ideas are given. There are schools and high schools where the "history of victorious Nippon" is taught, where free masonry is exposed and where the Japanese language is taught. The Committee has its own regiment, which is trained for war with the Soviet Union, though the Committee assures that the aim is only physical training.

The activity of the Committee is very great and the hidden initiator of all its ideas is the Japanese Major Taki, who speaks perfect Russian, and who probably received middle-school education in Moscow. This Committee took part in the capture of the Soviet Consulate's empty building in autumn of 1937, in the ex-Russian Concession of Tientsin. This Anti-Communist Committee has again seized the building.

Torture is Alleged

But this is not all. The Committee is credited with worse things. The rumor is spread all over the Far East of the tortures which take place in special rooms of the White House. In these scandalous events the most active members of the Committee are taking part. A year and a half ago the murder of their ex-collaborator, Voronin, took place. He had worked before with the Japanese and later fled into hiding in the concessions.

It is very interesting to note what is noted also by the Russian emigrants, that the Japanese have not a single respectable person among their Russian collaborators. The emigrants say that the Japanese seek out the lowest class of people, being afraid that the more clever may cheat them and use their help for national purposes. Perhaps this is true!

Soviet Envoy Killed in Chungking Auto Smash

Ivan Luganets-Orelsky, Soviet Ambassador to China, and his wife, were killed in an automobile accident near Chungking on the night of July 8, according to an announcement from Moscow. The accident occurred when the steering wheel of the car broke during a drive to a health resort where the Soviet envoy was undergoing a cure. The driver of the car was also killed.

Previous Soviet Ambassadors to China were no more fortunate than M. Luganets-Orelsy. Leo Karakhan, the first Soviet Ambassador to China, was "liquidated" by Stalin. He was in China during the Nationalist revolution of 1925-27. In 1933, when Sino-Soviet relations were restored after a lapse of more than five years, M. Dmitri Bogomoloff was sent as the Soviet ambassador to Nanking. He had the misfortune to be mentioned by one of the defendats in the last public treason "trial" in Moscow. Since then he has not been heard of again.

Colonel Spear Brought Before Court Martial

Lieut.-Col. C. R. Spear, British Military attache, who was arrested at Siahwayuan on the Peking-Paotow Railway on May 26, was haled before a military disciplinary court by Japanese authorities at Kalgan on July 5, according to a *Domei* report from Peiping. The court is a form of court-martial for Japanese civilians and foreigners, the agency said. Since his arrest on suspicion of espionage, Lieut-Col. Spear has been questioned by Japanese gendarmerie authorities at Kalgan.

Outstanding Events in the Sino-Japanese War A DAY-TO-DAY SUMMARY

First installment of this day-to-day summary constituting a complete record of outstanding events in the Sino-Japanese war on all fronts appeared in the September 11th (1937) issue of the Review.

June 24

Severity of the Japanese blockade of the British Concession in Tientsin unabated. Hope for a local settlement abandoned, declared A. E. Tipper, chairman of the British Municipal Council. Cecil Davis, Briton, who was severely manhandled by a Japanese officer and forced to strip yesterday, was again forced to take off his clothes. George A. Smith, another Briton, who had been detained by the Japanese since June 22, still held. A British officer, whose name unrevealed, was refused permission by the Japanese to pass the barriers leading to the Japanese concession.

Premier Neville Chamberlain declared that "no British Government could submit to dictation from another Power as to its foreign policy," while referring to the "high-handed and intolerably insulting treatment of British subjects by the Japanese soldiers in Tientsin," according to London report. Mr. Chamberlain still hoping for a "local" settlement of the Tientsin issue.

Foreign Secretary Halifax protested (yesterday) to Mamoru Shigemitsu, Japanese Ambassador at London, against the "intolerable insults" being imposed on Britons in Tientsin by the Japanese army.

New Sino-Soviet Commercial Treaty signed in Moscow on June 16, it was officially announced in Chungking. Sun Fo, president of the Legislative Yuan, now in Moscow, signed on behalf of the Chinese government.

Italy's full-cooperation with the Japanese authorities in North China said pledged by the Italian Commander in the Far East, Rear-Admiral Gonzaza, now visiting in Tokyo, according to Japanese report.

Heavy fighting progressing in east suburbs of Swatow, with the Japanese suffering many casualties, according to report received at Chungking.

Severe fighting again broke out in south Shansi, where the Japanese forces on June 20 launched their "7th offensive" against the Chinese troops holding out in the Chung Tiao Mountains. The Japanese said pushing southward in four columns, supported by strong artillery and aircraft units, but so far have made no appreciable progress.

Changteh and Hengyang, in Hunan Province, bombed by Japanese planes (yesterday). Casualties believed low, but several big fires started in the two cities.

⁂

June 25

Mrs. D. Finlay, British woman, stripped almost naked in front of a Japanese sentry by a Chinese woman searcher in Tientsin on June 24, it was revealed today. George A. Smith released by the Japanese after eight days' detention.

Two British missionaries, believed to be A. A. Caswell and his wife, were burnt to death on June 22, when their mission compound in Changteh, Hunan, was hit by an incendiary bomb during a Japanese raid on the city.

Heavy fighting raging in Tinghai on Chushan Island, off the Chekiang coast, following the Japanese landing there on June 23.

After visiting in Chungking for several weeks, Henri Cosme, French Ambassador, left by air for Hongkong en route to Shanghai.

⁂

June 26

Insulting treatment of British nationals by the Japanese in Tientsin must cease, but satisfactory settlement of the Tientsin issue hopeful, declared Premier Nevile Chamberlain in House of Commons in London. More British patience asked.

Ivor House, British merchant in Tientsin, stripped by Japanese searchers for third time.

Anti-British campaign extends to Tsingtao.

The French government said to have promissed the grant of credits to China, including a 4,000,000 franc loan for medical supplies, according to Chungking report.

Japanese forces have erected electrified barbed wire barricades around British wharves at Swatow, bringing about a virtual blockade of the port, according to official British quarters in Hongkong.

Heavy Chinese reinforcements rushed into Swatow war zone to support the defenders who were still holding up the Japanese advance in the municipal area. Most of the Japanese troops participating in the Swatow campaign belonged to the 20th Division which was stationed at Canton, Chinese report stated.

Secret Japanese airfield said being constructed on Nanpen Island, west of Hainan Island.

⁂

June 27

The Japanese effected a landing on Sharp Peak Island, off Foochow, capital of Fukien.

Evacuation by third Power nationals of areas in the vicinity of Wenchow (Chekiang) and Foochow urged by Japanese naval authorities in view of impending hostilities in those districts, announced the Japanese Consulate-General in Shanghai. Foreign merchant vessels and warships in those two Chinese harbors asked to leave before 11 o'clock on June 29. The Japanese request firmly rejected by the British consular authorities in Shanghai.

Japanese naval command at Swatow announced the complete isolation of foreign shipping "pending the progress of military operations."

Lt.-Gen. Masharu Homma, Commander of the Japanese Garrison in Tientsin, told foreign newspaper correspondents that the Japanese Government had ordered the present restrictions in Tientsin and that the local Japanese military authorities were not acting independently.

Japan said to have consented to formal negotiations with Britain in Tokyo in an effort to settle the present Anglo-Japanese crisis in China, according to London report. Premier Chamberlain said that discussions between Sir Robert Cragie, British Ambassador at Tokyo and the Japanese Foreign Minister, Hachiro Arita, might lead to a settlement.

Col. Chu Shih-ming, former Chinese military attache in Washington and Moscow, appointed director of the Intelligence and Publicity Department of the Foreign Office, succeeding Dr. T. T.

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Li, who has been appointed Minister to Cuba. Prior to his appointment, Col. Chu was connected with the Military Affairs Commission.

Following the fall of Swatow, the Japanese are advancing in two columns towards Chaochow, one along the Hang river and the other along the railway.

*
**

June 28

Clarence E. Gauss, American Consul-General in Shanghai, had rejected the Japanese note that all third Power warships and merchant vessels leave Foochow and Wenchow harbors and that foreign nationals evacuate from these two ports as soon as possible, it was officially announced in Washington. Mr. Gauss emphasied the right of Americans to reside in, ented or leave treaty ports in China.

Two British merchant vessels refused entry into the Swatow harbor by the Japanese naval authorities. The British firm, Butterfield & Swire property in Swatow occupied by the Japanese.

The Japanese landed on Sharp Peak Island (near Foochow) and Yuhuang Island (near Wenchow), according to reports received at Chungking.

Vanguards of the Japanese forces reached (yesterday morning) the outskirts of Chaochow, terminus of the Swatow-Chaochow Railway. Gunfire audible from city.

Premier Neville Chamberlain announced that Anglo-Japanese negotiations for the settlement of the Tientsin situation would be held in Tokyo.

Major G. A. Herbert, superinteding British consul in Tientsin, leaving for Tokyo on June 30 to participate in the negotiations.

In response to the British proposal, the Japanese Government had decided to hold diplomatic negotiations in Tokyo with a view to solving the Tientsin situation, official Japanese communique announced.

The Japanese in Peiping said planning a new puppet regime in China to be formed on July 7, the second anniversary of the war. Wang Ching-wei, expelled Kuomintang official, reported now visiting in Peiping to confer with the Japanese.

*
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June 29

The Japanese troops landed on Yuhuang Island, off Wenchow, forced to evacuate in face of a furious Chinese counter-offensive after half of their number was killed or wounded, according to Chinese report. The Japanese said preparing for a renewed attack.

Central Executive Committee of the Kuomintang orders purgation of all local and provincial groups of undesirable elements who are not in accord with the policy of resistance. Move seen designed to strengthen the government's war policy.

British nationals not evacuating Foochow, despite Japanese warning, declared British naval spokesman in Hongkong. Mrs. G. V. Lumsdaine, British woman in Shanghai, fired at by Japanese sentries while driving her car into the Settlement from the Hungjao Road area. Car hit by several bullets, but Mrs. Lumsdaine escaped unharmed.

Dr. Wellington Koo, Chinese Ambassador to France, (now visiting in London), in a lecture on the "Open Door and World Peace," declared that despite Japan's assurances as to her intention to respect the Open Door policy in China, the door was being kept open not for the entry of foreign interests but only for their exit. Dr. Koo warned his listeners of Japan's ambitions in China.

Wang Ching-wei said to have returned to Shanghai from visit to Peiping, where he interviewed Gen. Sugiyama, commander of the Japanese forces in North China and Wang Keh-min (head of the Peiping regime), but was not received by Marshal Wu Pei-fu.

*
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June 30

Forty-five Japanese planes, in two groups, raided Liangshan, in Eastern Szechwan. The raiders engaged by Chinese pursuit planes, but result of the aerial battle yet unknown. Air raid alarm sounded in Chungking, but no Japanese planes appeared over the city.

Chinese Aviation Headquarters at Chungking announced that 66 Japanese airplanes had been shot down during the five months of this year.

Launching a counter-offensive north of Canton on June 27, Chinese forces are said to be only eleven miles from Canton. Sinkai, Lientang and Hwentang claimed captured (yesterday).

A Chinese company, which was ordered to fight rear-guard action in Chaochow to cover the withdrawal of the main body of the Chinese forces, believed doomed, as its retreat had been cut by the Japanese.

Establishment of a new puppet government to replace the existing Nanking regime said to have been decided upon during Wang Ching-wei's recent visit to Peiping. The new government will be known as the "All People's Government" (or Chuan Min Government) with Wang as chairman.

Attempt made on the life of Lu Ying, chief of police of the puppet Shanghai municipal government, yesterday, when he was fired at by unknown assassins while riding in his car in Kiangwan. The car was riddled with bullets, but Lu escaped unharmed.

Sotomatsu Kato, commercial attache of the Japanese embassy at Changchun, appointed Japanese minister-at-large in Shanghai, succeeding Masayuki Tani.

Japanese military authorities in Tientsin announced that they would tighten up the blockade of the British Concession, beginning from July 1, no matter what might be the progress and outcome of the Anglo-Japanese parleys in Tokyo.

Tokyo War Office spokesman declared that the Tientsin issue would never be settled, either on the spot or at Tokyo, unless Britain changes her alleged antagonistic policy towards Japan and supports Japan's aims in China.

Japanese planes yesterday bombed and destroyed the American Union High School in Foochow, but American occupants of the building were not injured. Vigorous protest filed by the American consular authorities with the Japanese against the bombing.

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Who's Who in China

Gen. Wei Li-huang, army commander; born at Hofei, Anhwei, 1897; graduate of the National Military College in Nanking; served successively as brigade-commander, division commander and army commander in the National Army; Commander-in-

衛立煌字俊如

Gen. Wei Li-huang

Chief of the 2nd Route Army, the 1st and 5th Group Armies; Border Defence Commissioner for Honan, Hupeh and Anhwei Provinces; Commander-in-Chief of the 14th Group Army; since the outbreak of the present Sino-Japanese war, he first fought near Peiping and then in Shansi, as Vice-Commander-in-Chief of the 2nd War Zone; now, Commander-in-Chief of the 1st War Zone embracing the Northwest Provinces; author of "Speeches on the War of Resistance;" address: Headquarters of the Commander-in-Chief of the 1st War Zone, Loyang, Honan.

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Another Nippon Air Attack on Chungking

Foreign properties, including the Methodist Mission Women's Hospital and the German Consulate, were damaged July 7 when Chungking, China's provisional capital, was subjected once again to an aerial bombardment by Japanese planes. It was the first moonlight raid on the city. Thirty machines, attacking in two groups, dropped both incendiary and demolition bombs, starting three huge fires which destroyed scores of houses and buildings.

Another foreign property damaged was the Methodist Institutional Church, which was partially destroyed when struck by a demolition bomb. Casualties, *United Press* reported, were believed low owing to the recent evacuation measures and the fact that the population was given an advance warning of the raid, enabling them to take shelter. No foreigners were killed or injured, but foreign and Chinese occupants of the Methodist Hospital dugout were nearly suffocated by a fire which raged beyond the city wall near Kialing.

Anti-Aircraft Silent

The first squadron of planes appeared over the city at about 12.40 a.m., and the second about an hour later. Chinese searchlights failed to pick out the raiders because of low-lying clouds, *United Press* reported. Chinese anti-aircraft batteries consequently were silent throughout the raid.

Mr. T. T. Hsiao, director of the Central News Agency, again had a narrow escape from death when a bomb struck the block of apartments in which he was staying. In the May 4 raid, it may be recalled, he was buried beneath debris when a bomb hit the offices of the Central News Agency.

A *Domei* report from Tokyo reported the raid as follows: "The Japanese Naval Air Force observed the second anniversary of the hostilities by making three 'extremely successful' raids on Chungking early Friday morning . . . bombs were dropped on the headquarters of the Military Affairs Council and a gendarmerie building, which was set on fire . . . anti-aircraft batteries in the northern and western sections of the city were 'effectively bombed,' fires being started at several points . . . All the planes returned to their air base . . ."

Kian, provisional seat of the Kiangsi Provincial Government, was bombed by three Nippon planes on July 4, according to a belated *Kuo Min* report. Four bombs were dropped and one civilian killed. The same day, six Nippon planes dropped more than 20 bombs on Taihu, western Kiangsi, killing 10 persons and destroying 10 houses.

A Bombing 'Accident'

According to dispatches received in London from Ottawa and reported here by *Transocean* on July 8, the Canadian Government received a note from Japan regarding the deaths of the Rev. A. A. Caswell and his wife, both of Vancouver, in a Japanese air raid on Changteh, Hunan, on June 23. The note reportedly said that Japanese airmen had been unable to distinguish any flag indicating that the building in which the Canadian missionaries had taken shelter was a Canadian church, and that if the property was hit it was purely an accident. Japanese aviators, the note reportedly said further, had been strictly instructed to avoid damage to Canadian property in China. The Rev. Caswell and his wife were burned to death when an incendiary bomb turned their mission into a raging inferno before they had a chance to escape.

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Men and Events

The overworked correspondent of the *Asahi* at Tientsin sent the following to his paper on July 1: "The outrages committed by the British have become too numerous to enumerate."

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Patriotic note from the Tokyo *Asahi*: "Reservists numbering 275 responding to the July 1 roll-call in the Osaka district were found to be all secretly carrying written wills, thus showing their firm determination to serve the country."

•

Sir Herbert Phillips, British Consul-General at Shanghai, and Mrs. Phillips, departed for Weihaiwei on brief vacation this week. They plan to return on August 2. G. V. Kitson will be in charge during the Consul-General's absence.

•

The *Domei Tsushin-sha*, described as the "semi-official national-policy news service of Japan," reported a loss of Yen 16,000 for the year ending March 31, 1939, according to a statement issued on July 2. The report was described as "unusually favorable, for it had been *Domei's* habit to report a serious deficit every year and demand compensation either from its member newspapers or *official sources*."

•

Hans Trobst, correspondent stationed in Dairen, by the German *Nachrichten Bureau* and the *Hamburger Fremdenblatt*, died of a heart attack on July 6. Mr. Trobst served as adviser to President Ataturk of Turkey after the World War, following which he came to the Far East and covered the Sino-Japanese hostilities. His wife and son departed from Dairen for Rumania recently.

•

The French police, on July 7, delayed for two hours the circulation of the American afternoon newspaper *Ta Mei Wan Pao*, which is affiliated with the American paper, *Shanghai Evening Post*. The reason for the action, according to the report, was the publication of a letter commenting on the situation in Amoy. The police compelled the editor to remove the letter before permitting the edition to be circulated.

•

Miss Peggy Marisow, daughter of Mr. and Mrs. C. S. Marisow, was married on Saturday, July 9 to Alghan Riordan Lusey. The ceremony was said by the Rev. Dr. John Lyon Coughey of Community Church and was followed by a reception at the American Club. Miss Marisow was secretary to the Director of Chinese Studies of the Shanghai Municipal Council. Mr. Lusey, who is a native of Texas, is Far Eastern Manager of Press Wireless, Inc.

•

William P. Buchner, youthful New York stockbroker, who was charged with fraudulently manipulating the bonds of the Philippine Railway, was sentenced on July 6 to two years imprisonment and a fine of U.S.$2,500. Filipe Buencamino, well known Filipino politician, involved in the same affair, was convicted of conspiracy only and received a sentence of 18 months and a fine of U.S.$5,000. Two others, Capt. John Stuart Yude, described as a British ex-army officer and C. Wesley Turner, a broker, were acquitted. Buchner and Buencamino were alleged to have solicited the sum of U.S.$1,000,000 from bondholders for expenses in connection with the redemption of bonds. They were alleged to have converted the money to their own uses.

A Japanese editor named Saki Miura was ordered expelled from Brazil on July 7, according to *United Press* message from Rio De Janeiro, stating that the President of Brazil, Dr. Getulio Dornelles, had issued a special decree ordering Miura's expulsion. Miura was editor of a paper called the *Nippak Shimbun* published at San Paulo, which had previously been suppressed. The reason for the suppression was not stated.

•

Gabriel Tsu, son of Mr. and Mrs. K. L. Tsu, was married on July 8 to Miss Catherine Nieh, at St. Peter's Church on Avenue Dubail. The ceremony was performed in accordance with Roman Catholic Rights and was the first wedding in Shanghai to be officiated at by a Catholic Bishop, the Rev. Fr. S. E. Monsignor Simon Tsu, uncle of the bridegroom. More than 300 persons attended the ceremony.

•

Miss Viola Smith, U. S. China Trade Act Registrar in Shanghai, issued a statement on July 6 denying that China Trade Act Companies would be required, under the new revenue act, to pay full taxes. A message by *United Press*, published in Shanghai on June 22, stated that the new revenue act had eliminated the taxation exemption clause in the China Trade Act. Miss Smith stated she had wired the Department of Commerce for information and had received a reply stating that this part of the law had not been materially changed.

•

W. W. Waymack, Associate Editor of the Des Moines, Iowa, *Register and Tribune*, is expected to arrive in Hongkong shortly on a trip around the world by way of Europe and India. According to his present plans, Mr. Waymack may return by China Clipper from Hongkong. Mr. Waymack is one of the best known editors in the United States, having received the Pulitzer prize for the best editorial in 1937. Mr. Waymack was a schoolmate of Mrs. W. A. Main of Shanghai. It is not yet known whether he will visit Shanghai while in the Far East.

•

The U. S. S. Augusta, flagship of the U. S. Asiatic Fleet, which has been at Tsingtao for sometime, is scheduled to return to Shanghai on July 18, the return being considerably earlier than expected as the flagship usually remains in the north through July. The earlier return, according to reports in the local newspapers, is to enable Admiral Harry E. Yarnell, Commander-in-Chief, to meet Admiral Thomas Charles, Hart, who is scheduled to arrive in Shanghai on July 27. Admiral Hart will relieve Admiral Yarnell.

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Gardner Crane, for many years a resident of Shanghai, died in Los Angeles on June 9 at the age of 65. He was widely known as the manager of theaters and organizer of the American Players, well known amateur group. He is survived by his widow, who was Miss Madge Terry, to whom he was married in 1897 while playing in stock in the United States. Mr. and Mrs. Crane first came to Shanghai in 1902 with a traveling company, later returning to the United States. They returned in 1919 and made their home here. Mrs. Ben Watson, a sister-in-law of Mrs. Crane, resides in Shanghai.

•

Maurice Benjamin, for many years engaged in real estate activities in Shanghai, who died in California a year ago, was recently buried at Cypress Lawn Cemetery, near San Francisco, according to information received in Shanghai last week. Mr. Benjamin was born in Shanghai, his father being Benjamin David Benjamin, who was one of the early settlers in Shanghai Maurice Benjamin was survived by his widow, Mrs. Rose Lobree Benjamin, his mother Mrs. Luna Benjamin two brothers and two sisters.

•

The famous Bata Shoe Company, Czechoslovakian firm located in Prague, has announced its intention of establishing a model town and factory at the city of Frankfort, located near Trenton, Ontario, Canada. The company has requested permission of the Canadian Government to allow 250 technical experts of the parent company to enter Canada to serve as instructors for Canadian workers. The Bata Shoe Company has a large number of shops in Shanghai. Whether the opening of the plant in Canada means the ultimate removal of the factory from Nazi-controlled Prague is not known.

•

Tetsuya Nakajima, president of the *Tokyo Yukan*, an afternoon newspaper in Tokyo, has been detained by the Metropolitan Police Board on the charge that his paper published news which was against the interests of the country. It was first feared the paper would be suppressed, but later the police permitted the paper to continue when it became known that the news report had appeared previously in foreign newspapers. There was no indication of the subject of the original report in any of the Tokyo news or translation services of July 1 and 2.

•

Prof. Hubert Liang, head of the School of Journalism of Yenching University, Peiping, who has been lecturing in the United States for several months, went to Copenhagen, Denmark to attend the Tenth Conference of the International Chamber of Commerce, held there between June 26 and July 1. Prof. Liang traveled to Europe with the American delegation consisting of some 60 leading businessmen and industrialists. Prof. Liang planned, following the conference to visit various European countries for the purpose of making a study of industrial cooperatives. He will return to China in August.

•

Senator Guy M. Gillette of Iowa and Representative Vincent Harrington of the same state have introduced a bill in both houses of Congress to award to Admiral Harry E. Yarnell the Distinguished Service Medal in recognition of his services on behalf of American interests in the Far East. The measure, which is expected to pass unanimously, was introduced by members of Congress from Iowa because Admiral Yarnell is a native of that state, his birthplace being the town of Independence.

Capt. Evans F. Carlson, former Assistant Naval Attache, stationed at Hankow, who resigned from the service several months ago is now residing in San Diego, California, where he is doing research work for the Institute of Pacific Relations and is also completing a book upon which he was working before he departed from China. An article dealing with the Suiyuan phase of the Sino-Japanese war is scheduled for the September number of *Pacific Affairs*. Capt. Carlson has also done considerable lecturing in southern California.

•

President Roosevelt was expected approve shortly the plans of Admiral Byrd to conduct another and more extensive exploration in the Antarctic regions, according to *Transocean* message from Washington on July 7. Half of the cost of the expedition, estimated at U. S. $680,000 was appropriated by Congress with the remainder to be contributed by private interests. The German news agency said that the expedition was "tantamount to claiming by the United States of the Antarctic territories discovered by Admiral Byrd and Lincoln Ellsworth." Since the regions were of great strategic importance and were believed to possess great mineral wealth, "it was expected that the American claims would lead to long diplomatic controversies with Norway and Great Britain."

The hostilities in China have caused serious difficulties in the printing and distribution of Bibles, according to the annual report of the National Bible Society of Scotland, published in Shanghai last week. It stated that several printing plants had been closed and suitable paper for better class books was difficult to obtain. With the exception of Chungking all branches of the Society are now located in Japanese-controlled territory. Total distribution of Bibles was 6,421, Testaments 7,882, portions 1,470,156, making a grand total of 1,484,399. This represented a reduction of about half from the previous year.

•

J. Glenn Babb, former correspondent for the *Associated Press*, stationed in Shanghai and Tokyo and in Manchuria, was awarded a medal of honor for distinguished newspaper service in journalism in the Far East, by the School of Journalism of the University of Missouri. Mr. Babb, following his graduation in 1915, went to Japan as managing editor of *The Japan Advertiser*, following which he became Tokyo correspondent for the *Associated Press*. He is now foreign editor of the *Associated Press* in New York. The medal of honor was presented to Mr. Babb by Dean Frank L. Martin, head of the School of Journalism, at a special ceremony held in Columbia last month.

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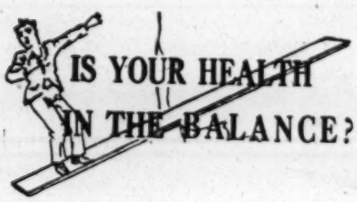

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Liang Lung, Charge d'Affaires at Prague, Czechoslovakia, has been appointed Minister to Rumania, according to announcement from Chungking on July 12.

•

Sir Victor Sassoon, local financier and realty owner, has awarded to local charity organizations an "iron lung" or specially constructed tank used for respiratory purposes. It is the second instrument of the kind in the Far, East the other being at the Peking Union Medical College.

•

R. S. Turner, respresentative of Associated Oil Company of California, who was in Shanghai for several days last week, has gone to Japan and after sometime there will return to San Francisco. Mr. Turner has been in the Far East for several months making an investigation of conditions on behalf of his company.

•

An attempt was made to blow up the Japanese freighter Azumasan Maru as the ship was loading scrap iron at Philadelphia, Pennsylvania, on June 11, according to report by *United Press*. The bomb was discovered concealed in the scrap iron, the intention being to have it explode as it dropped in the hold. No arrests had been made according to the report.

•

N. F. Allman, American attorney, delivered an address on "Political Rights," before the weekly meeting of the Shanghai Rotary Club on July 6. He referred to the Magna Charta and the Declaration of Independence as the two outstanding historial documents and declared that their guarantees of freedom of speech, press and religion are a part of the mental makeup of every Briton and American. Mr. Allman also referred to recent censorship of Chinese-language newspapers in Shanghai and Hongkong and declared that these actions of the police did not have the support of the English language press and that freedom of the press and speech were absolutely essential to political and religious freedom.

•

Reynolds Packard, correspondent with *United Press*, formerly stationed in Shanghai, was awarded the prize for the best exclusive reporting by an American correspondent in 1938. The award was made by the Headliners Club and was based on Mr. Packard's coverage of the Czechoslovakian crisis for *United Press*. The award for 1937, for coverage of the Sino-Japanese crisis, went to John Morris, manager of *United Press* service at Shanghai. The award for the best foreign newsreel went to A. T. Hull, Jr., Pathe News cameraman for his pictures of the Japanese aerial bombing and occupation of Canton in 1938.

Anti-Catholic Actions by Nazi Mobs in Vienna

Reports from Vienna through *Reuters* and *United Press* stated that the Catholic Archbishop of Vienna, Cardinal Theodor Innitzer, had been forced to cancel his tour of Austria because of "continued heckling" by hostile crowds. At Koenigsbruenn a crowd gathered and cried, "Murderers, your hands are sticky with blood." The reference was to the refusal by the Cardinal to intercede on behalf of Austrian Nazis sentenced to death after the unsuccessful 1934 putsch.

A further report from Berlin on July 6 stated that all possessions of the headquarters of the Catholic Young Men's League at Dusseldorf had been confiscated under Nazi decrees authorizing the seizure of "communist" property or that belonging to persons "inimical" to the state. It was stated further that the Nazi authorities had ordered the dissolution of 74 St. Vincent de Paul Societies, which are Catholic charitable organizations. The funds of the organizations were handed over to the Nazi-controlled "People's Welfare Administration" in Berlin, the decree stating the funds would be used in Austria.

U. S. AGAIN PROTESTS JAPANESE BOMBINGS

The United States has lodged a new series of firm displomatic protests with Japan in Tokyo, Washington and Shanghai against the continued bombing of Chungking where American lives and property have been menaced by Japanese bombs State Department officials disclosed July 10, according to *United Press*

The Secretary of State, Mr. Cordell Hull, made the representations personally in Washington to the Japanese Ambassador, Mr. Kensuke Horinouchi. The American Charge d'Affiares in Tokyo, Mr. Eugene Dooman, also lodged the protests with the Japanese Foreign Office and Mr. C. E. Gauss, American Consul-General in Shanghai, made similar representations to the Japanese Consul General in Shanghai last. Saturday.

The United States protests complained that Japanese bombings of all areas of Chungking had menaced the temporary American Embassy in the Chinese wartime capital and had endangered the life of the American Ambassador, Mr. Nelson T. Johnson.

Labor Mobilization is Invoked by Japanese

An Imperial Ordinance was gazetted in Tokyo July 8 invoking article four of the National Mobilization Act, which provides for the conscription of labor for enterprises essential to national mobilization. About 10,000,000 persons are expected to be affected. The text of the article is as follows:

"In time of war, when national general mobilization is found necessary, the Japanese Government, in accordance with the provisions of an Imperial Ordinance, may draft subjects of the Empire and cause them to engage in general mobilization enterprises."

When placed in mobilization enterprises under Government control, persons drafted under the article will be paid the same wages they received before they were called up.

London Doctors Arrive to Aid the Wounded

The London Committee in Support of Chinese Resistance against the Japanese Invasion has sent three surgeons to China for service to Chinese wounded soldiers, according to *Kuo Min*. They are Drs. Kisch, Jensen, and Becker. They arrived in Hongkong last week and left for Haiphong, on the 9th inst. en route to Kweichow, where they will serve in a military hospital. According to Dr. Kisch, a number of military surgeons who rendered distinguished service during the Spanish civil war, as well as many German Jewish doctors now in concentration camps in southern Germany, will also come to China in the near future for army medical work.

New Books of Interest in the Far East

German Exile's Views

THE COMING VICTORY OF DEMOCRACY.—By Thomas Mann. Translated from the German by Agnes E. Myer. London, Secker and Warburg, 1938. 104 pages. Price 2/6d.

Thomas Mann, Germany's foremost literary exile, in this lecture to American audiences, expresses his moral faith in a resurgence of human freedom. Today Thomas Mann lives in the United States, a land to which he says "western culture is shifting for the duration of the present European Dark Age." Convinced of the danger of isolating art and thought from the practical life of men, Dr. Mann today has become an international figure in the fight against fascism.

In December, 1936 Dr. Mann received from the dean of the University of Bonn a notice telling him that his name had been struck from the roll of honorary doctors. This letter, and Dr. Mann's reply, form the second part of the book under review. Both in point of time and in an understanding of Dr. Mann, these two letters should be read before the lecture which gives the title to the book. In the moving letter which replied to Bonn University, Dr. Mann expressed his personal responsibility for restating the ideals of humanism.

In his lecture, *The Coming Victory of Democracy*, Dr. Mann emphasizes the complete dishonesty of the use of the word "socialism," in spite of all the appearances of an anti-individualistic economy, in present-day Germany. "Socialism," says Dr. Mann, "is an entirely moral impulse, which means that it is turned inward, that it is an impulse of conscience . . . . its interests are essentially in internal and not in external politics; its passion is justice, right not might." Socialism united with nationalism, as in the German National Socialism is, he says, a deliberate deception. "Nationalism is thoroughly aggressive, directed against the outer world; its concern is not with conscience, but with power; not with human achievement, but with war."

The thinking of the world today and the spirit of the times is so filled with social concepts that "if democracy wishes to make its undoubted moral superiority over fascism effective and challenge its pseudo-socialism, it must adopt in the economic as well as the spiritual domain as much of socialistic morality as the times make imperative and indispensible." Even Franco, who began his enterprise in Spain on behalf of feudalism, capitalism and foreign influence, had to make socialistic promises.

"Everybody who would consider it a great human disaster if in this historical struggle of the world philosophies, democracy should succumb for lack of adaptability, must desire, as one desires a necessity, that liberal democracy will develop into social democracy, from the economic as well as the spiritual point of view."

Dr. Mann sees a really sound conservatism in Franklin D. Roosevelt's policies and in the endeavors of the French popular front, because the social bent which they give to democracy takes the wind out of the sails of Fascism and Bolshevism alike. "The social renewal of democracy is the presupposition and guarantee of its victory."

F.M.R.

A World Benefactor

The Rockefeller Foundation: A review for 1938—By Raymond B. Fosdick, president of the Foundation. New York, 1939. 72 pages.

This report of the Rockefeller Foundation for 1938 is a practical demonstration of the Foundation's motto: "The Well-being of Mankind Throughout the World." Except in the field of public health the Foundation is not an operating organization. Its activities are confined to grants to other agencies—universities, laboratories and research institutes, and to the training of competent personnel in the various fields of knowledge.

In public health work the Foundation maintains its own scientific staff. During the past year its laboratories in New York had under investigation yellow fever, influenza, the common cold, physico-chemical studies of the nature of viruses. Field work is carried on in thirty-eight countries. To the China Medical Board the Foundation gave U.S.$1,580,000 for expenditure over a period of four years. In the medical sciences the concentration of efforts on mental hygiene expresses the Foundation's belief that this field represents one of the most undeveloped areas in all medicine.

The Foundation is contributing to the development of molecular biology and organic chemistry. In the field of the social sciences research has been aided in international relations through grants and fellowships. The Institute of Pacific Relations has received $90,000 for research in Far Eastern issues, the Pacific Council received $80,000. For work in the Far East, principally in China, the Foundation to date has appropriated about $49,000,000. The greater part of this sum has been in connection with the Peiping Union Medical College, with the development of pre-medical education and the program for rural reconstruction.

The 1938 appropriation for work in China amounted to $325,000 and included the following items: Associated Boards for Christian Colleges in China, Chinese Mass Education, Fellowships, Ministry of Education, Nankai University, National Agricultural Research Bureau, National Central University, National Health Administration of China, National Rural Administration Training Institute, Research and development aid grants, University of Nanking, Yenching University.

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Foreign Correspondents Witness Big Battles on the Manchukuo Frontier

FOREIGN press correspondents, including John R. Morris, Far Eastern manager of *United Press*, were this week getting a close-up view of the fighting between Japanese and Outer Mongol forces on the Manchukuo-Outer Mongolian frontier in the neighborhood of Lake Buir. The *United Press* dispatches from the scene of hostilities said that on July 10 Mr. Morris had witnessed a fierce aerial battle in the Nomanhan district along the Khalka River and saw one plane crash in flames, although he could not say which side it belonged to. The Japanese announced that 59 Soviet planes were shot down that day.

In another dispatch from Japanese field headquarters, Mr. Morris said that only a handful of Soviet and Outer Mongol troops remained on the Manchukuo side of the Khalka River and that Japanese artillery had opened devastating barrages against Soviet artillery positions on the other side of the stream in a furious attempt to silence the Russian guns.

Microbe War Charged

Reuters correspondent told of seeing an aerial battle in which an undetermined number of Japanese craft engaged 24 Soviet raiders, who turned homeward after two had been shot down in flames. Later, 18 Soviet bombers returned to the scene and although subjected to intensive anti-aircraft fire, laid down a bomb barrage at a point where the principal water supply of the Japanese air force was located.

The correspondent said he was later shown bomb fragments which the Japanese alleged came from bacteriological bombs, dropped with a veiw to contaminating the water with microbes. Contents of 25 bombs, he stated, were being submitted to a laboratory for examination.

According to the *United Press* correspondent, Japanese troops have been ordered not to pursue Soviet and Outer Mongol forces beyond the Khalka River, which Japan claims is the real boundary. Japanese forces, he said further, control all but a small segment at the confluence of the Khalka and Holsten rivers on the Manchukuo side of the frontier.

Soviet Morale Said Bad

Soviet prisoners, interviewed by the correspondents, Mr. Morris said, declared that the morale of the Soviet forces was not good. A dozen of these prisoners were brought before the correspondents for questioning through a French correspondent who speaks fluent Russian. They said they were reservists recalled to the colors at Perm, Siberia, on May 29. When called up they were told that they were to engage in maneuvers.

According to Mr. Morris, "the prisoners abused the Soviet regime and blasted the Soviet troops. They told with satisfaction how they surrendered as soon as the Japanese machine-gun fire became deadly in their vicinity."

A *Domei* dispatch from Tokyo on July 11, quoting field dispatches from the border, declared that all organized Soviet and Outer Mongol forces had been driven to the western bank of the Khalka River, out of Manchukuo territory.

Indicating the scope of the hostilities, *Reuter* early this week quoted high-ranking Japanese military officers in Manchukuo as asserting that 60,000 Soviet troops from the Baikal region are quartered in zones close to the front. The agency's correspondent said that two outstanding features of the fighting are the accuracy of the Soviet artillerymen and the deadly bombing of Japanese planes.

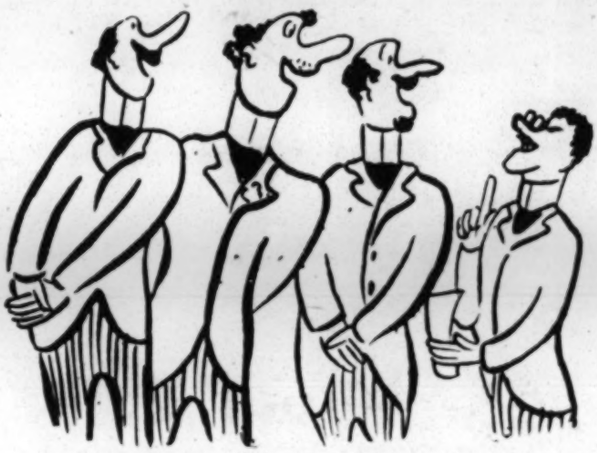
529 Planes Said Downed

According to *Domei*, 300 Soviet tanks were put out of action by Japanese artillery in the recent fighting. Latest claims on the number of Soviet aircraft shot down in air battles were given on July 11 as a total of 529, although 31 more were believed to have been downed. It was also claimed that four Soviet mechanized brigades had been smashed. Prisoners taken were numerous, among them being some battalion commanders, while war booty included many field guns.

The Soviet side has continued to be reticent regarding the fighting. Up to Wednesday of this week, the last *Tass* bulletin on the subject, discounting earlier Japanese claims and claiming victory for the Soviet-Outer Mongolian forces, was dated from Moscow on July 6.

Mr. Shigenori Togo, Japanese ambassador in Moscow, protested on July 12 against alleged oppressive treatment of Japanese oil and coal concessionaires in North Sakhalin.

Unbelievable!



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